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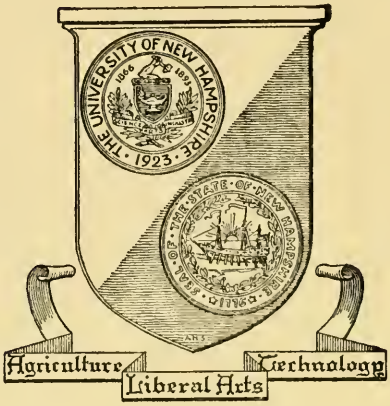

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STUDIES IN LOCAL GOVERNMENT AND TAXATION IN RURAL NEW HAMPSHIRE

By HAROLD C. GRINNELL

AGRICULTURAL EXPERIMENT STATION
UNIVERSITY OF NEW HAMPSHIRE

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DURHAM, N. H.

A New England Town Hall

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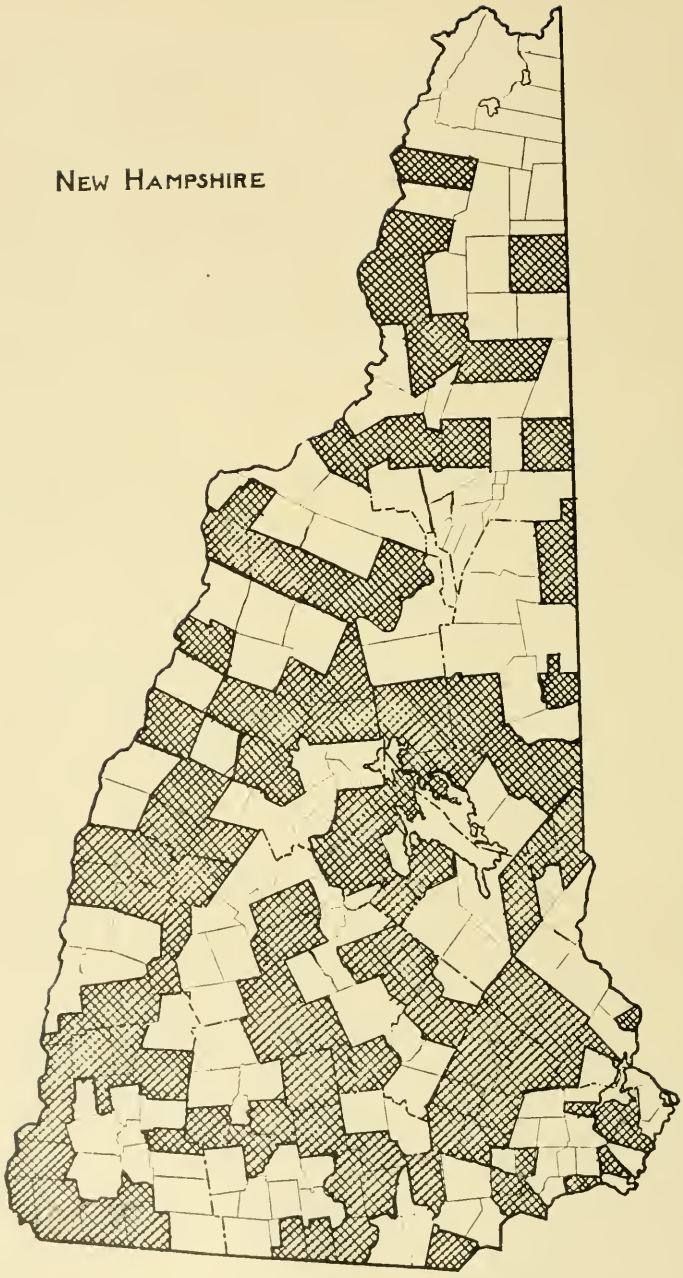

Distribution of the 116 rural towns visited for this study. This sample includes at least one-third of all the rural towns in each county. Many places in the northern half of the state are unincorporated and many are virtually uninhabited.

Studies in Local Government and Taxation in Rural New Hampshire[1]

Harold C. Grinnell

INTRODUCTION

Mounting tax burdens have awakened the general public to the problems of government and taxation. The activity of taxpayers' associations and the adoption of such measures as the municipal budget act of New Hampshire in 1935 are manifestations of this awakening. Various groups are increasingly active in compiling statistical data for analysis in order to locate leaks and to effect possible economies in government. Rural leaders, themselves taxpayers and in many instances active members of taxpayers' associations, recognize the importance both of governmental services and of the weight of the tax burden, and, accordingly, seek new approaches on which to base a sound program for local budgets. A lower tax rate is not the sole criterion of the success of their efforts. An evaluation of government expenditures in terms of value received must be included.

The significance of local government and taxation as a problem in rural economy is apparent in that the property tax, a large fixed cost of farm production, is the major source of revenue for meeting expenditures of local governments. Local expenditures constitute more than half of the total expenditures of state and local units of government in New Hampshire. Furthermore, the services of local government are vitally important to our rural economy. In the interest of economy and from the standpoint of the importance of local governmental services, farm people do well to look for efficiency in rural government, to the support of which they contribute heavily.

Tax Trends

"Taxes assessed locally" is a term used in the annual reports of the state tax commission to include property taxes, poll taxes, and national bank stock taxes, all of which are sources of local revenue and are included in the warrant of town and city tax collectors. The local tax levy is not for town and city purposes alone but includes taxes for school and village districts, for county purposes, and, until 1939, included the "state direct tax" on property. Inasmuch as the property tax is such a large proportion of the "taxes assessed locally" (95 to 97 percent), it is generally considered that taxes paid by towns

[1] Much of the content of this publication, but in a somewhat different form, was presented to the Faculty of the Graduate School of Cornell University, June 1941, as a major thesis in partial fulfillment of the requirements for the degree of doctor of philosophy. The author wishes to express his appreciation to Dr. M. P. Catherwood and to Dr. T. N. Hurd of that institution for their assistance in organizing and editing the material in its original form.

and cities to other units of government are derived from the levy against property, although, technically, tax revenues are not generally earmarked for any specific purpose according to their source.

Property taxes increased from approximately six and one-half million in 1914 to more than 19 million in 1938 and would have exceeded 20 million from 1939 to 1941 had not the direct state tax been discontinued (Table 1). This phenomenal rise is nearly threefold, and with the exception of a decline in 1932 and again in 1933 the rise has been consistent. The most rapid increase occurred during the five-year period from 1918 to 1922, the late war years, and the period immediately following. Nearly as rapid a rise occurred from 1933 to 1936, a period particularly marked by heavy expenditures for relief.

The property tax levy in each town is spread proportionately over the taxable property. If the valuation of property increased in the same proportion as the taxes levied against it there would be no change in the rate of taxation. Taxable wealth, however, has not kept pace with local appropriations, and therefore the tax rate has necessarily increased. The total valuation increased consistently

TABLE 1. ASSESSED VALUATION OF NEW HAMPSHIRE TOWNS AND CITIES, TAXES ASSESSED LOCALLY, AND TAXES PER $100 OF VALUATION, BY TAX YEARS, 1914 TO 1939*

Tax year	Assessed valuation in thousands	Taxes assessed locally		Taxes per $100 of valuation
		Property	Total	
1914	$390,878	$ 6,449,447	$ 6,700,727	$1.65
1915	398,845	6,721,361	6,976,097	1.68
1916	410,151	7,075,763	7,326,023	1.73
1917	428,107	7,603,332	7,860,480	1.78
1918	453,328	8,427,741	8,674,523	1.86
1919	469,858	10,731,600	11,098,878	2.28
1920	511,457	12,126,678	12,736,642	2.37
1921	531,154	13,154,191	14,384,238	2.48
1922	566,469	13,828,115	15,059,802	2.44
1923	574,352	14,036,745	15,270,913	2.44
1924	585,423	14,599,100	15,809,553	2.49
1925	597,036	16,043,523	16,781,284	2.69
1926	620,524	16,543,490	17,063,655	2.67
1927	612,011	17,124,689	17,646,060	2.80
1928	618,850	17,414,924	17,942,570	2.81
1929	622,977	17,442,984	17,976,711	2.80
1930	625,443	17,790,268	18,323,808	2.84
1931	623,382	18,107,716	18,639,797	2.90
1932	590,805	16,381,574	16,914,587	2.77
1933	559,782	15,364,399	15,905,620	2.74
1934	561,766	16,091,073	16,646,264	2.86
1935	558,986	17,718,337	18,284,581	3.17
1936	548,432	18,824,376	19,391,208	3.43
1937	551,464	18,780,109	19,349,189	3.41
1938	553,391	19,262,661	19,832,820	3.48
1939	550,113	18,957,039	19,533,973	3.45
1940	552,478	18,856,456	19,440,596	3.41
1941	559,419	18,745,050	19,333,017	3.35

* Annual reports of the State Tax Commission.

from approximately 391 million in 1914 to over 625 million in 1930. Much of this increase, particularly during the earlier years, is the result of assessing property at nearer full value. The decline in valuation since 1930 has been due to the business depression, floods, and the hurricane. The taxable wealth of all towns and cities in 1941 was only 43 percent greater than in 1914, but taxes had increased nearly threefold. The tax rate over this 28-year period, therefore, more than doubled.

Purpose and Scope of Study

Studies in local government and taxation should follow a progressive pattern, a series of investigations in which each is pertinent to that which follows and in which each succeeding study is another step. First it is important that the system be described with respect to organization, administration, and finance; to explain how it works. Once the system is understood, the finances can be examined to determine why taxes vary among like units of government and to set up standards for comparative analysis. Such procedure would logically be followed by a more thorough analysis of important expenditure items, particularly schools, highways, and welfare. Each phase of the work should be supplemented by case studies, because every town is an individual problem in itself.

In this study of local government and taxation of rural New Hampshire, the first phase will be concerned with a description of local government largely from the point of view of general organization and administration. This will be followed immediately by an investigation of the fiscal system involved for the obtaining and spending of public money. A third phase will consider individually some basic local functions with emphasis on their state-local relationships, an important aspect of local government inasmuch as the state is the creator of its subdivisions. Such investigations are mandatory to the researcher as a foundation to the recognition of rural governmental problems, and enable him to draw conclusions consistent with existing processes and administrative arrangements. They will serve further to reveal problems for continued research and will acquaint the reader with the system and practices, many of which are peculiar to New Hampshire.

Sources of Information

Statistics published on the subject of local government and taxation in New Hampshire are largely those of state totals. These offer little assistance in the analysis of the problems of rural communities because they are heavily weighted by urban figures. Thus, inasmuch as this is largely a study of rural situations, it was necessary to obtain information from a representative sample of rural towns. The dividing line between rural and urban towns was fixed at 2,500 population in accordance with the census classification.

Of the 234 towns and cities in New Hampshire, 32.9 percent have a population of less than 500, 74.3 percent have a population of less than 1,500, and only 14.4 percent have a population as great as 2,500.

The emphasis in this study, therefore, is on rural towns of less than 1,500 population although several towns having a population between 1,500 and 2,500 were visited. Aside from limiting the towns studied to a certain range in population, no particular method of sampling was used except that the total sample included not less than one-third of all the rural towns in each of the 10 counties. Variance in local conditions was considered prior to final selection within each county. Because of the lack of homogeneity in economic, physical, and social conditions among the towns, the number included in the survey was necessarily a large proportion of the state total.

The survey involved an interview with one or more local officials, including at least one selectman, in each of 116 towns during the summers of 1938 and 1939. A questionnaire was completed covering some selected administrative practices and other related data not available elsewhere. A copy of the town report was collected for later analysis, but was reviewed with local assistance for explanation of certain terms employed by officials in their individual reports. Material concerned with tax delinquency was obtained from the registers of deeds in the respective counties.

Some Characteristics of the State

New Hampshire is a small state. Its total land area is 9,031 square miles; only five states are smaller, namely Massachusetts, Connecticut, Rhode Island, New Jersey, and Delaware. The population of the state by census periods from 1790 to 1940 follows:

Year	Population	Year	Population
1790	141,885	1870	318,300
1800	183,858	1880	346,991
1810	214,460	1890	376,530
1820	244,161	1900	411,588
1830	269,328	1910	430,572
1840	284,574	1920	443,083
1850	317,976	1930	465,293
1860	326,073	1940	491,524

With its present population of slightly less than one-half a million, New Hampshire ranks forty-first among the 48 states, exceeding in population only Vermont, Delaware, Idaho, Wyoming, New Mexico, Arizona, and Nevada. However, only 22 states exceed New Hampshire in population per square mile. The present density is 54.4 compared with 44.3 for the United States as a whole.

Southern New Hampshire is a part of the urban area of New England. Like most of the other northeastern states, during the industrial revolution southern New Hampshire experienced a concentration of population in industrial centers. This movement is evidenced by the increase in total population accompanied by a rapid decline in the number of farms and total acres of land in farms. The largest amount of land was in farms in 1860 (Table 2). The decline in farm acreage from 1900 to 1930 was consistent and rapid, with land going out of use at the rate of 55,000 acres, or 480 farms, per year. Of the total farm area in 1860, 48 percent was abandoned by

1930 and 46 percent in 1940. In 1940 only 31.3 percent of the total land area of the state was in farms, and only 20.9 percent of the farm land (6.6 percent of the state) was used for crops. Approximately 85 percent was in hay; thus, only one percent of the total area of the state was in crops other than hay.

Table 2. The Number of Farms and Total Acres in Farms in New Hampshire, by Census Years, 1850 to 1940

Census year	Number of farms	Total acres in farms	Acres per farm
1850	29,229	3,392,414	116
1860	30,501	3,744,625	123
1870	29,642	3,605,994	122
1880	32,181	3,721,173	116
1890	29,151	3,459,018	119
1900	29,324	3,609,864	123
1910	27,053	3,249,458	120
1920	20,523	2,603,806	127
1925	21,065	2,262,064	107
1930	14,906	1,960,061	131
1935	17,695	2,115,548	120
1940	16,554	1,809,314	109

There are three distinct type-of-farming areas, even though dairying is the major farm enterprise throughout most of the state.[2] First, there is the specialized dairy industry of the Connecticut River Valley, with some diversification (potatoes and pulpwood) in the extreme north. Secondly, the southeastern portion of the state is an area of mixed farming, more intensive but with much part-time farming. Here dairying is interspersed or combined with other enterprises, particularly poultry, fruit, and vegetables. Thirdly, there is a type of farming particularly characterized by its subsistence nature and designated as "highland" farming which occupies large portions of the southeastern, central, and east central parts of the state. This "highland" type of farming area occupies nearly two-fifths of the entire agricultural area of the state and has more than two-fifths of the highways. Unlike the other type-of-farming areas, it possesses little of commercial significance, except that it offers a home and a job to a major portion of its residents. The northern half of the state, east of the Connecticut River Valley, is mostly nonagricultural, and large sections of it are uninhabited.

These general agricultural characteristics of the state, derived from the New Hampshire Experiment Station Circular 53, are mentioned here as a background to an understanding of the situation in many rural communities. Such facts are suggestive of the numerous poor and stranded rural towns of little wealth and of sparse population.

[2] Type-of-Farming Areas in New Hampshire, Circular 53, New Hampshire Experiment Station.

Subdivisions of the State

The entire area of the state is divided into ten counties. Each is a corporate body and includes all the places and towns within its borders as fixed by public law.[3] As in other New England states, the county is much less important than the town as an administrative agency, its functions being confined principally to welfare and judicial matters. For these two functions, however, the county has come to be the most important unit of local government.

The origin of the present ten counties is best reviewed in the following footnote appearing on page 70, Revised Statutes, 1842:

> The state was first divided into counties by the act of 9th George III, (March 19, 1771). They were five in number: Rockingham, Strafford, Hillsborough, Cheshire and Grafton. They were so called from the names of the English ministry then in power. Coos was formed from Grafton, December 24, 1803. Merrimack was set off from Rockingham and Hillsborough, July 1, 1823. Sullivan was set off from Cheshire, July 25, 1827. Belknap and Carroll were set off from Strafford, December 23, 1840.

An act was passed by the state legislature June 16, 1791,[4] which defined the boundaries of the orginal five counties. Since the Revised Statutes, 1842, only five changes in county boundaries have been made, the last in 1897.

The entire area of the state is further subdivided into towns, cities, and unincorporated places. There are 15 unincorporated places located in the northern part of the state mostly in the region of the White Mountain National Forest. They are virtually uninhabited. The terms "towns" and "municipalities" are commonly used interchangeably in New Hampshire to include the 223 towns and 11 cities, each of which is a municipal corporation and a legal and distinct body politic.

> All provisions of statutes, now made or hereafter enacted relating to towns, shall be understood to apply to cities; and all provisions relating to the selectmen and town clerks of towns shall be construed to apply to the mayor and aldermen and clerks of cities, respectively, unless a different intention appears.[5]

Thus the word "towns" as used in the statutes usually includes all of the 234 municipalities.

Although the state grants rather broad powers of home rule to these units of government, the enumerated powers and duties are established by statute which furthermore provides for the election or appointment of certain officers for administering the numerous services for which they are responsible. New Hampshire cities have not been extended broader powers for home rule than the town except such as have been granted through the city charter, but rather

> All cities now or hereafter incorporated shall have, exercise and enjoy all the rights, immunities and privileges of, and shall be subject to

[3] Revised Laws, 1941, Chapter 28.
[4] Laws of New Hampshire, 1792.
[5] Revised Laws, 1941, Chapter 62, Section 2.

all the duties incumbent upon, or appertaining to, the town corporations to which they succeed.[6]

It is obvious from this provision of the law that a city succeeds a town and is not a separate municipality within a town.

The origin of town government[7] in New Hampshire precedes that of the county. John Mason, conceded to be the founder of New Hampshire, obtained the first grant and began settlement. After the death of Mason in 1639 his heirs and agents attempted to enforce their claims but with little success. In 1749 a group of Portsmouth capitalists purchased the Masonian title and granted lands under the name of the Masonian Proprietors. A specified period was set for the settlement of a township not bestowed with corporate privileges. Territories outside the Masonian limits were granted by the existing legislature and were known as the New Hampshire grants. Before the revolution the governor as well as the legislature could incorporate a town and give a charter; about 50 such towns were thus incorporated at that time. After the revolution, however, towns could be incorporated only by act of the legislature. Petitioners would submit a preamble citing the need of the petitioners for a new town. After the boundaries were defined, an act of incorporation was passed which created the town with corporate entity. In general the present 234 towns and cities are the result of a splitting-off process from these early grants.

Although the boundaries of school districts are as a rule coterminous with those of the towns, the former are civil corporations possessing legal entity distinct from the town. The school district has its origin in a series of legislative acts. In 1858 towns were permitted by majority vote to divide into school districts and define the boundaries of each. In 1867 towns were empowered to abolish these districts, and in 1874 were again authorized to reestablish them. It was not until 1885 that the school district system was abolished and the town system established, each town area becoming a school district, even though in many instances the different one-room rural schools are continued. With but a few exceptions made possible by special legislation, the present school districts are generally coterminous with town areas in accordance with the act of 1885. Some minor irregularities in school district boundaries are made possible by the statutes[8] which provide that persons can petition the selectmen of the towns concerned for a hearing to sever part of one town and annex it to another for school purposes.

The biennial report of the State Board of Education lists 241 school districts. One town has three, eight have two each, and in one instance two towns have combined to form a union district. Two organized towns are not school districts, and four organized towns (also school districts) do not maintain a school. Each city consti-

[6] Revised Laws, 1941, Chapter 62, Section 1.

[7] This early history is summarized from "Town Government in New Hampshire," prepared by The New Hampshire Historical Records Survey Project.

[8] Revised Laws, 1941, Chapter 138, Sections 51 to 58.

tutes a separate and single district. Every school district has its own set of officials, whose duties and powers are limited to school affairs. In accordance with powers granted it by public law, the State Board of Education has combined the several school districts into supervisory unions for administrative purposes. There are now 48 such unions, each consisting of from one to nine school districts. There are ten single-district unions including nine cities and one large town.

These, then, are the three levels of organized local government superimposed on the state area:

1. County government
2. Town and city government
3. School district government

Statutes provide for the organization of village districts with relatively limited powers. There are now 69 such districts or "precincts" organized in 50 towns. Most of these are for the limited purposes of fire control, water supply, or both. The precinct offers an opportunity to distribute the burden of special services among those benefited who reside in the populous area of a town where additional services are demanded. The boundaries of such districts are fixed by the selectmen of the town, or towns concerned, upon petition of ten or more voters, after which the voters of a district may establish it and elect the necessary officers including a moderator, clerk, three commissioners, and a treasurer. A village district has all the powers of a town for like functions.

Interrelationships of Local Government

Interrelations between the state and its subdivisions constitute one of the most important intergovernmental relationships affecting local government in New Hampshire. Although local units of government are something more than administrative subdivisions of the state, the record of every legislative session necessarily contains numerous acts which relate to the powers of local units of government. The following are the titles of a few acts selected at random from the session laws of 1935:

Chapter 37. An Act Defining the Rights of School Board Members in Supervisory Unions.

Chapter 38. An Act Relative to the Perambulation of Town Lines.

Chapter 287. An Act Relating to the Town of Richmond.

Chapter 289. An Act Legalizing the Proceedings of the March 12, 1935, Election in the City of Laconia.

Chapter 290. An Act Relating to the Charter of the City of Nashua.

Chapter 293. An Act Relating to the Powers of the Village Precinct of Hanover.

Chapter 318. An Act Authorizing the County of Grafton to Issue Bonds.

The local units of the state constitute the administrative units in the election of state officials. The largest areas into which the state is divided for election purposes are councilor and senatorial districts. There are five councilor districts from each of which one councilor is

elected biennially to the governor's council, ". . . for advising the governor in the executive part of government."[9] The 24 senatorial districts are for the purpose of electing biennially one senator each to the state legislature. Every town and every city ward having 600 inhabitants or more elects biennially one member to the House of Representatives, plus one member for each 1,200 additional inhabitants. Towns and wards of less than 600 inhabitants can elect a representative a proportionate part of the time,[10] thus causing the total number of state representatives to vary. Over a period of years this extremely large body of legislators averages about 420 persons or one representative for each 1,100 to 1,200 inhabitants. At every constitutional convention since 1877, an amendment to reduce the size of the House of Representatives has been an issue. Either it failed to be adopted by the convention, or, if adopted, it was not ratified by the required two-thirds vote when submitted to the people.

State supervision over local activities is brought about through the establishment of commissions, boards, and departments to which administrative powers have been granted by public acts. These powers vary in degree from those of an advisory nature to those of supervising or actually controlling the local service. Functionally, state supervision is most active in the fields of public education, tax administration, highway administration, and public health and welfare activities.

Many interrelationships exist among the local units. Counties obtain a major part of their revenue from property taxes for which their respective treasurers are authorized to issue a warrant to the selectmen of the several towns and cities for their proportion of county appropriations. In addition to county taxes, the town budget includes the school and precinct taxes which the selectmen are required to levy and pay over to the respective treasurers. Towns hold elections for county officers. Buildings are frequently constructed by joint funds of local units such as town and school district, town and village district, and by the county and city. School buildings are often used for town meetings. Village districts may be established from a part of one or more towns.

Corresponding officials of local units have common problems and have organized into associations which convene periodically to interchange ideas and introduce programs of action. The New Hampshire Town and City Clerks' Association, the New Hampshire City and Town Tax Collectors' Association, and the New Hampshire Selectmen and Assessors' Association are examples of these.

The interdependence of the civil divisions of the state is particularly marked in the fields of justice and welfare, the two functions in which the county is an administrative unit of major importance. Each of these functions is characterized by its successive and progressive steps in direction from municipality to county, and from county to state. In many respects the trend toward state intervention and increased administrative authority over local activities adds to, rather than detracts from, this interdependence.

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[9] Constitution of New Hampshire, Form of Government, Art. 60.

[10] A town having 300 inhabitants is represented in half of the legislative sessions, and a town having only 200 inhabitants is represented in one-third of the sessions.

PART I. ORGANIZATION AND ADMINISTRATION

The existing division of services among units of government and the organization for administering these services are matters of historical development. Social and economic changes have resulted in demands for additional services of government and for an expansion of old services. Enlargement of the economic unit requires that the administration of many services be shifted wholly or in part to larger units of government. Adjustments have been slow but the trend is definite. Here the emphasis will be on a description of the organization of units of local government in New Hampshire and the manner in which governmental services are administered at the present time. This system is described as it exists under the present constitution and public laws. Inasmuch as this is largely a study of rural towns, cities will receive but little attention, and the county, school district, and village district will receive such emphasis as their relative positions warrant.

All civil officers within the state receive their authority from acts of the state legislature as provided by the constitution:

> . . .: and to name and settle, or provide by fixed laws for the naming and settling, all civil officers within this state; . . . and to set forth the several duties, powers, and limits, of the several civil and military officers of this state, . . .[11]

Accordingly, public laws provide for the election and appointment of personnel to carry out the functions of local government.

TOWN ORGANIZATION AND ADMINISTRATION

The town is the major unit of local government, and the public services it provides are numerous and varied. Meetings must be arranged for the voters and the agenda and budget prepared. A list of qualified voters must be maintained. Large amounts of money are involved for payment of the governmental services provided. To obtain these funds, private property must be appraised and taxes levied and collected. Trust funds, legal procedure, and borrowing require administrative attention. Records must be kept and reports made in accordance with the statutes. Persons and private property demand protection at public expense, and, likewise, public property must be protected and maintained. Highways need attention. The responsibility for direct relief of the poor must be assigned. To effect properly these and numerous other services requires organization and authority to act.

The Town Meeting

Every town is required by public law to hold an annual meeting "on the second Tuesday of March for the choice of town officers and the transaction of all other town business."[12] The New England

[11] Constitution of New Hampshire, Form of Government, Article 5.

[12] Revised Laws, 1941, Chapter 57, Section 1.

town meeting is sustained as an outstanding example of a democratic institution. Although many modifications are made as a result of new problems, the town meeting continues to be a means of debating and settling by majority vote many of the problems of community business.

The call for the meeting is contained in the town warrant, which is prepared by the board of selectmen. The warrant must be posted at the place of meeting and at one other public place in the town at least fourteen days before the day of the meeting. In addition to prescribing the time and place of meeting, the warrant provides an agenda. The business transacted at the town meeting is limited to the subject matter of the series of articles contained in the warrant. However, the selectmen are required to include in the warrant any article requested by application of ten or more voters, or one-sixth of the voters in the town, providing such request is made prior to the time of posting. The choice of town officers and appropriation of money to meet town charges appear in all town warrants. Other articles are peculiar to the wants of the individual town. Some of the other articles commonly found are concerned with such items as special appropriations, granting selectmen authority to borrow in anticipation of taxes, approving bond issues, and granting selectmen authority to close roads or to sell property acquired by tax deed.

The presiding officer at the town meeting is the moderator, and the recording officer is the town clerk. During all elections by ballot, the moderator receives all ballots and the town clerk checks each voter's name on the check list. The check list which presumably contains the names of all legal voters is used at all local, state, and national elections when balloting.

Concerning suffrage, the public laws provide "every inhabitant of each town, being a native or naturalized citizen of the United States, of the age of twenty-one years and upward, excepting paupers and persons excused from paying taxes at their own request, shall have a right, at any meeting, to vote in the town in which he dwells and has his home."[13] Residence is established by having lived within the town for at least six months next preceding the day of meeting, but one is not deprived of the privilege of voting in the locality within the state from which he moved during these six months if he declares his intention with the clerk prior to his removal.

The constitution grants suffrage for state elections to "every male inhabitant of each town, and parish with town privileges, and places unincorporated in this state, of twenty-one years of age and upwards, excepting paupers,[14] and persons excused from paying taxes at their own request. . . ."[15] An amendment to omit the "male" qualification and to provide that women might hold office was adopted by the tenth constitutional convention in 1918, but was not ratified by two-thirds majority vote when submitted to the people

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[13] Revised Laws, 1941, Chapter 31, Section 1.

[14] "County paupers are those for whose support no person or town in this state is chargeable." Revised Laws, 1941, Chapter 125, Section 1.

[15] New Hampshire Constitution, Form of Government, Article 28.

in 1921. Thus the constitution remains unchanged but the "male" qualification becomes a dead issue in consequence of the nineteenth amendment to the federal constitution.

Town Officers

The laws provide that certain officers shall be elected and that others may be elected or may be appointed as the voters in each case may determine. Thus town officers for the most part obtain their

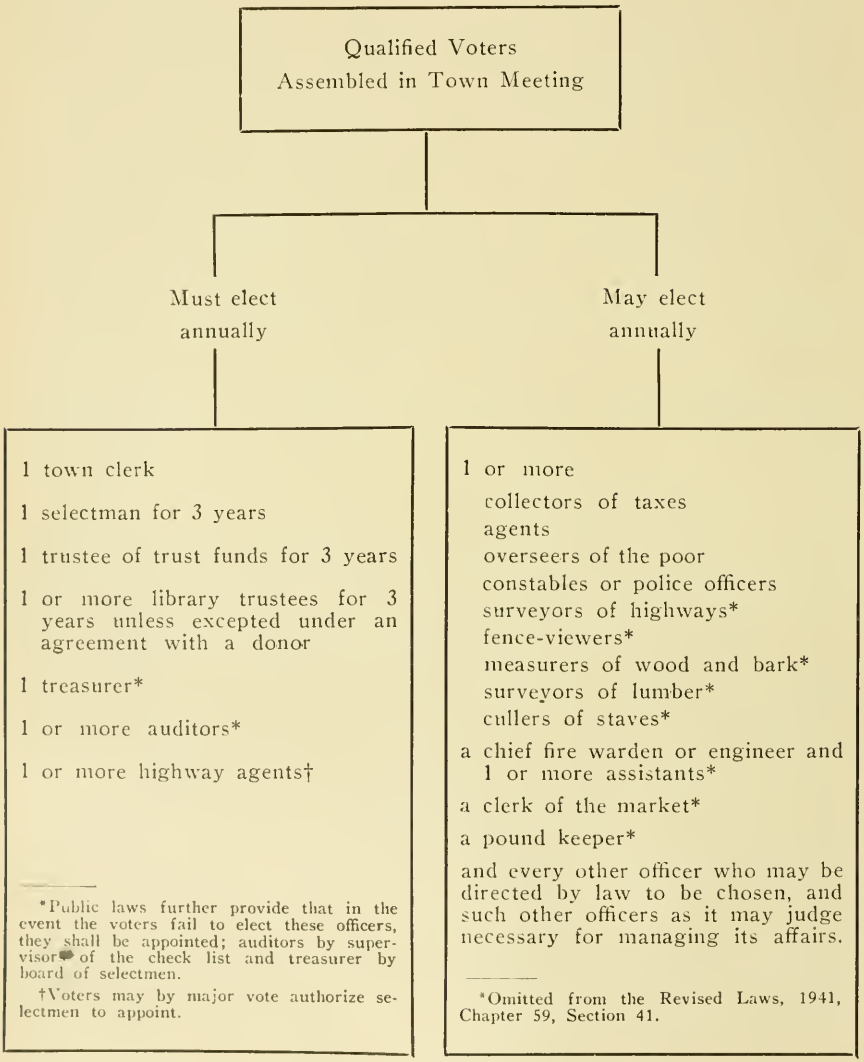
Qualified Voters
Assembled in Town Meeting
Must elect annually
May elect annually
1 town clerk
1 selectman for 3 years
1 trustee of trust funds for 3 years
1 or more library trustees for 3 years unless excepted under an agreement with a donor
1 treasurer*
1 or more auditors*
1 or more highway agents†
*Public laws further provide that in the event the voters fail to elect these officers, they shall be appointed; auditors by supervisors of the check list and treasurer by board of selectmen.
†Voters may by major vote authorize selectmen to appoint.
1 or more
collectors of taxes
agents
overseers of the poor
constables or police officers
surveyors of highways*
fence-viewers*
measurers of wood and bark*
surveyors of lumber*
cullers of staves*
a chief fire warden or engineer and 1 or more assistants*
a clerk of the market*
a pound keeper*
and every other officer who may be directed by law to be chosen, and such other officers as it may judge necessary for managing its affairs.
*Omitted from the Revised Laws, 1941, Chapter 59, Section 41.

Fig. 1. Graphic representation of statutory provisions for the annual election and appointment of town officers.

respective positions through powers granted the town meeting by public law, inasmuch as the town meeting has the power to elect even though it may fail to do so. The failure of the town meeting to elect certain officers is interpreted as the equivalent of a vote that such officers be appointed.

There is no standard roster of officials for administering town business. Figure 1 is an attempt to represent graphically the public laws as they relate to the choice of officers by major vote of qualified voters assembled in town meeting. The provision ". . . and every other officer who may be directed by law to be chosen, and such other officers as it may judge necessary for managing its affairs, . . ."[16] would include the numerous other positions and boards, dependent on policies and circumstances of individual towns. Adoption by a town of the municipal budget act requires the election of a budget committee, and the adoption of the planning board act requires still further appointments or elections. The installation of a water, lighting, or sewer system, with or without the establishment of a precinct, requires the election or appointment of commissioners.

By way of summary, the following is submitted as a typical roster of town officers. This was prepared after examination of the reports of 116 rural towns, and includes only town officials which more than one-half of the reports listed. Some of the supplementary notes are taken from the questionnaire used in the survey. It is possible that some offices were filled but were not included in the town reports.

Typical roster of town officers	Method of Selection
1 moderator	Elected for 2 years by plurality vote at biennial election in November.
3 selectmen	One elected each year for 3 years by major vote in town meeting.
1 town clerk	Elected annually by major vote in town meeting.
1 collector of taxes	Elected annually by major vote in town meeting. 21% are appointed by selectmen.
1 treasurer	Elected annually by major vote in town meeting.
1 highway agent	Elected annually by major vote in town meeting. Selectmen appoint in only 4% of towns. 48% of towns have 1 agent and 43% have 2 or 3, and 8 towns have more than 3, commonly called surveyors of highways. One town has 20, all appointed by selectmen. In 2 towns there are none because there are virtually no Class V roads.
2 auditors	Elected annually by major vote in town meeting. In 6 towns the auditors are appointed by supervisors of the check list. 60% of the towns have 2, .23% have 1, and 17% have 3 auditors.
3 supervisors of check list	Elected for 2 years by major vote at biennial election in November.
3 trustees of trust funds	One elected each year for 3 years by major vote in town meeting.

[16] Revised Laws, 1941, Chapter 59, Section 41.

Typical roster of town officers	Method of Selection
3 trustees of public library	One-third elected each year for 3 years by major vote in town meeting. 80% of the towns have 3, most of others have 6 or 9. Five towns have 2, 5, or 8, which is not according to public law. The law requires that the number be divisible by 3.
1 police officer	More frequently appointed by the board of selectmen. 46% of the towns have 1, 31% have 2, and 23% have more than 2.
1 health officer	Appointed for three years by state board of health on recommendation of selectmen.

Only 46 of the 116 reports included an overseer of the poor among the list of officers, and in only 26 cases was this office filled by someone other than a selectman. In most towns this service was conducted by one or more of the selectmen. There were only 18 budget committees listed having from three to ten members and one planning board of six members. Other officers and the number of towns having each follow:

Town Officers	Number of Towns
Fire warden	45
Surveyors of wood and lumber	19
Dog constable	16
Forest fire warden	13
Fence-viewers	12
Water commissioners	8
Town forest committee	5
Trustees of specific funds	5
Public weighers	4
Tree warden	3

The most frequent number of town offices is between 20 and 29. Approximately two-thirds of the towns have fewer than 30 officers and 86 percent have fewer than 40. Five towns have 50 or more offices, but none have as many as 50 individuals holding office, and 84.5 percent of the towns have fewer than 30 persons holding office. In the 116 town reports, there are 3,180 positions listed, but only 2,556 different persons holding office, an average per town of 27.4 and 22.0, respectively. In other words, there are about four persons for each five offices. With so many offices to be filled, it is no wonder that the few leaders of sparsely inhabited towns hold numerous community positions.

Public laws provide that certain offices shall not be held by one person at the same time. "No person shall hold any two of the following named town offices at the same time,—selectman, treasurer, collector of taxes, and auditor, and no person shall at the same time hold the office of highway agent and selectman,"[17] and furthermore, no supervisor can also be a selectman, moderator, clerk, or ballot inspector. A frequent combination of offices is that of clerk and

[17] Revised Laws, 1941, Chapter 59, Section 43.

treasurer. In one particular instance these two offices were further combined with identical offices for the school district, and at the same time the official concerned kept an account of all trust funds. This official is a retired business man who, taking much pride in his work, initiated excellent schemes for recording and filing town records.

During the survey the occupations of six leading officials, including the three selectmen, town clerk, treasurer, and tax collector, were obtained for more than 100 towns. Almost every imaginable occupation for a rural community was enumerated. The following listing includes each occupation which comprised over five percent of the total:

Selectmen:	55% farmers	Treasurers:	28% farmers
	8% laborers		25% housewives
			8% retired
Clerks:	26% housewives		
	20% farmers	Collectors:	38% farmers
	7% retired		15% housewives
	7% storekeepers		8% laborers
	6% insurance agents		6% retired

This distribution is not offered as one of any particular concern in view of the fact that these are all rural towns, but rather as a matter of illustrating the farmers' participation in community affairs. When one wishes to consult leading selectmen, even in towns with a sizable business section, he is frequently directed to the country. It is of some interest that the relative importance of farmers is exceeded only by houswives in the case of town clerks, many of whom are farm women. The offices of treasurer and tax collector are also frequently filled by women. Many of these women obtain positions as a result of their having assisted their husbands with the work during previous years. At the time of this survey at least three women were officiating as selectmen.

Powers and Duties of Principal Officers

Unlike other town officials, the three supervisors of the check list, commonly called the board of supervisors, and the moderator are elected for a period of two years at the biennial election in November. The moderator is required by law to preside over town meetings, and is required by the constitution to govern biennial elections and receive the votes of the inhabitants. Vacancy in this office is filled by supervisors of the check list, and a vacancy in the office of supervisor is filled by appointment by the remainder of the board. The supervisors are responsible for making an alphabetical list (check list) of all legal voters in the town and for posting such check lists 14 days before each annual town meeting and before the biennial election. Public laws further provide for the manner in which supervisors shall determine the qualifications of applicants, and the manner in which they shall hold hearings and sessions for correction of the check list. The supervisors, with the check list, are required to attend all meetings at which a check list is to be used.

The three selectmen constitute an executive board in charge of all town business not specifically delegated by statute to other officers. In a manner similar to that for town meetings, they are required by the constitution to give notice of the meeting for biennial elections. The valuation of taxable property and the assessing of taxes against that property are two of their major duties. In the absence of a budget committee, it is the responsibility of the selectmen to prepare and post a budget of the recommended appropriations for the ensuing year. The power of abatement rests with the selectmen, but only if such abatement is for taxes assessed by them. They are required to draw orders for all claims against the town, and keep a record of all financial transactions.

The board is empowered, or may be empowered, to appoint officers and to fill all vacancies except those in the office of moderator, supervisor of the check list, and auditor. The selectmen have power to remove the collector and treasurer for cause and are required to approve their bond. It is the responsibility of the board to see that the public records are preserved by the town clerk and that a fireproof safe is provided for the purpose. The selectmen combine with the local health officer to form the local board of health. In some towns the selectmen appoint an agent or janitor to care for public property, but public property is a resonsibility of the board. Cemeteries and cemetery trust funds are also in their custody unless the town elects trustees for that specific purpose. Highways are a direct responsibility of the selectmen, who are authorized to lay out new roads or to widen and straighten existing ones. The highway agent functions under their direction when constructing or repairing town roads. The selectmen further exercise general oversight over relief of the poor.

Three-fourths of the boards of selectmen meet regularly and one-fourth meeting irregularly or whenever necessary, but in most instances they meet at least 12 times per year or an average of about one meeting a month. Of the boards that hold regular meetings, 41 percent meet once each month, 25 percent meet twice a month, and 34 percent hold weekly meetings.

The town treasurer, invariably elected, who has custody over all moneys and notes, pays out the same only on orders from the selectmen, and keeps a classified account of expenditures on forms prescribed by the state tax commission.

The town clerk, in addition to acting as clerk at all regular and special town meetings, acts as clerk to the board of selectmen. He is registrar of local vital statistics, issues dog licenses, and receives applications for motor vehicle licenses, at which time he collects the local motor vehicle tax. He is the keeper of all public records, vouchers, papers, and documents belonging to the town, and in a great many towns he acts as legal adviser to other officials and to the community in general. Recording of mortgages and deeds is a responsibility of a county official rather than of the town clerk. Because of the numerous duties of the town clerk, the majority of towns repeatedly elect the same person for this office, in a few cases for

periods totaling as many as 50 years. In some instances, the office has been retained in the family for two or more generations.

Auditors are required to examine the accounts of selectmen, treasurer, town clerk, collector of taxes, and any other officer or agent handling funds of the town, and to report to the town the results of their audit.

The tax collector is granted the powers of a constable for the purpose of collecting the taxes committed to him by the selectmen, and it is his duty to collect these taxes in accordance with public laws, and to pay to the town treasurer all money collected. Laws provide the authority and procedure for distraint, and for the sale of property for delinquent taxes, necessarily a technical and painstaking procedure. The discharge of their duties in a manner other than that specifically prescribed by public laws has led to perplexing problems in many towns, the result of which has been a closer supervision by the state tax commission.

Towns are granted permission to receive and to hold in trust gifts, legacies, and devices made to them for public purposes. These funds are administered by a board of three trustees, who have complete custody of them. They are required to keep a record of such trusts in a record book opened to public inspection. Each town must pay over to the trustees the full amount of its trust funds.

The highway agent functions under the direction of the selectmen, and has charge of the construction and repair of all town highways and bridges. An alternative plan permits the selectmen to divide the town into road districts and then appoint an agent or surveyor for each. Highway agents are authorized to employ the necessary personnel, and equipment, and purchase materials for operations, and they also have power of regulatory control over highways and sidewalks.

The tax collector, treasurer, town clerk, trustees of trust funds, and road agent are required to furnish bond, which is examined by the board of selectmen, who in turn notify the state tax commission of the amount, the name of the surety company in each case, and the date it expires.

The library trustees have entire custody and management of the free public library, and are responsible for the expenditure of all money appropriated by the town for library purposes as well as for the income of library trust funds. They make an annual report to the town of all receipts and expenditures, and another report to the state library commission, setting forth the extent to which the town has complied with the public laws.

The local health officer is responsible for enforcing the public health laws and regulations of the state, and for making such sanitary investigations as may be directed by the local board of health or as may be required by the state board.

Towns are authorized to appropriate money for the detection of crime. For this purpose most towns elect, or more frequently the selectmen appoint, a local police officer for such detection and apprehension. The governor, with the advice and consent of the council, appoints and commissions a justice of the municipal court in all towns

having a population of 2,000 or more. In other towns, selectmen may petition the governor for a similar appointment of a justice of the peace, or trial justice, who has exclusive jurisdiction over all crimes and offenses, described in Revised Laws, Chapter 430, "Offenses Against the Police of Towns." A large proportion of the towns with a population of less than 1,000 have no justice of the peace.

By a majority vote of the legal voters at a regular meeting, or two-thirds vote at a special meeting called for that purpose, a town may acquire and establish municipal water works and lighting systems. These utilities may be spread over any portion of the town as the voters may direct. For their management the town may elect a board of three commissioners, one each year for three years, and fix their compensation. The alternative plan is to organize a village district.

A more detailed description of active participation by local fiscal officers is included in Part II, "The Fiscal System."

Compensation of Officers

It is generally thought that town officials are underpaid in view of the amount of time necessary to dispose of the duties in connection with their respective offices. In virtually every case, it is a part-time job. Some town positions are frequently assigned to those who are in need and might otherwise appear on the relief rolls. For the most part, however, people share in community responsibility for reasons other than money income.

The compensation of the more important town officials is generally fixed by the town meeting, which is authorized to do so through its power to appropriate money for town charges. These officials include the selectmen, town clerk, treasurer, police, health officer, overseer of the poor, auditors, moderator, and supervisors of the check list. Either the selectmen or the town may determine the pay of highway agents. There are some apparent inconsistencies in the provisions of law; for instance, the town fixes the compensation of firemen, but the selectmen fix the compensation of the fire warden; and in the absence of a precinct, the town determines the amount of remuneration for the services of water commissioners, but the selectmen determine the pay of sewer commissioners.

The town clerk's compensation includes fees from issuing dog licenses and motor vehicle fees. These are fixed by public law at 20 cents for each dog license and 25 cents for each motor vehicle fee. In about three-fourths of the 116 rural towns these fees exceeded the town clerk's salary as determined at the town meeting.

The salary of tax collectors is frequently fixed at a percentage of taxes collected rather than a definite amount. This practice occurs in 30 of the 116 towns surveyed. The percentage varies between one percent and two and one-half percent.

Trustees of trust funds are required by law to serve without pay. Numerous other less important officers either receive no compensation for their services or are paid on a per diem basis. In only one instance did members of the budget committee receive any compensation.

Table 3 gives the range and average salaries of the major town officials. The average expenditure per town for salaries of selectmen, including overseer of the poor, is greater than that for collector, treasurer, clerk, and auditors combined. Obviously, all are part-time officials. If, in every instance, the board of three selectmen, or one of them, assumed the responsibility of the overseer of the poor and received his compensation, the average selectman's salary would be $170 per man.

The Village District

The boundaries of the village district or precinct are determined by the selectmen of the town or towns in which the district is located. Such boundaries do not alter those of the towns, but they do define the area, the inhabitants of which are eligible to vote in district affairs. This is justifiable since the purpose of the district is to provide special services for those within its borders, and as the costs of such

Table 3. Range and Average Salaries per Town for Major Town Officials, 89 New Hampshire Towns, Year Ended January 31, 1939

Officials	Salaries per town	
	Range	Average
3 selectmen and overseer of the poor*	$100.00 to $1,150.00	$509.98
Tax collector	39.77 to 824.50	204.68
Treasurer	25.00 to 250.00	81.04‡
Clerk†	28.00 to 345.00	127.10‡
Auditors (usually 2)	none to 72.00	16.92
All towns	$266.81 to $1,973.25	$938.38

* In many rural towns the compensation of the overseer of the poor cannot be separated from that of the selectmen.

† All figures for town clerk include motor vehicle fees but not dog license fees.

‡ Includes 84 towns. In five towns the clerk is also treasurer.

services are chargeable only to those who are benefited. The precinct is provided with powers equal to those of towns for like purposes. Public laws require that during the month of March there shall be an annual meeting of its legal voters, subsequent to the town meeting and officially posted. Here are elected all necessary officers, more specifically a moderator, clerk, treasurer, and three commissioners. Their powers and duties are the same as those of officers for like purposes in the towns. The commissioners are authorized to appoint a chief engineer and assistants to serve in the fire department.

The Town Manager System

In 1929 an act[18] was passed by the general court, authorizing towns to establish the office of town manager. This act included village districts, but not cities or school districts. In those towns which adopted the provisions of the act, the selectmen are to appoint

[18] Revised Laws, 1941, Chapter 55.

a town manager, who is subject to their direction, supervision, and removal. The act provides that the manager is to be the administrative head of all departments and is to have general supervision of town property, business affairs, and the expenditure of moneys appropriated by it for town purposes. But his authority was not to extend to giving notice of town meetings, making by-laws, borrowing money, assessing or collecting taxes, granting licenses, laying out highways, judicial functions, nor to supervision of the offices of town clerk and treasurer. A town was not able to avail itself of the provisions of the act without having legally adopted it by a majority vote of its voters, and a precinct could not adopt it unless the town, of which the precinct forms a part, had first adopted it.

This plan, although sound in principle, is one which rural towns have felt they could not afford. It has not seemed probable that the salary of a full-time manager would, under most circumstances, be offset by savings or economies. Consequently, no town has adopted the act. In one instance, however, the selectmen are authorized by the town to hire (not appoint) an agent or superintendent without contract. His duties are similar to those specified for the town manager but are much more limited.

SCHOOL DISTRICT ORGANIZATION AND ADMINISTRATION

The school district is a separate administrative unit with its own set of officers, but with its functions limited entirely to those of public education.

It has been stated previously that there are 241 school districts in the state, which have been combined by the state department into 48 supervisory unions, each of which is under the general supervision of a superintendent. In ten cases, a single school district constitutes a supervisory union. Other unions consist of from two to nine districts.

There are now four districts which do not maintain a school but transport their children to a neighboring district. In 1940, 55 districts had only one-room schools.[19] Thirty of these districts had one or two such schools, 23 had from three to five, one had six, and one had nine, a total of 151. This accounted for 46 percent of the 327 one-room schools in the state. There were 108 districts in 1940 which had no one-room schools compared with 93 districts in 1938. The number is declining rapidly, particularly in districts which have centralized school facilities.

Every district is required to provide the equivalent of eight grades of elementary education. Any school district, or two or more districts acting jointly, can establish and maintain a high school. Furthermore, school districts are authorized to make a contract with an academy or high school and appropriate money to carry the contract into effect. When such a contract is approved by the State Board, the school with which it is made is deemed a high school

[19] Biennial report of the State Board of Education, 1941.

maintained by the district. Districts not maintaining a high school are required to pay high school tuition, but not transportation; however, no district is liable for tuition in excess of the average cost per child of instruction in that school or of all public high schools in the state. In other words, if the tuition rate of a particular high school were $100, and if the average cost per pupil for that school (or the average for the state as computed by the state department, whichever is greater) were only $80, the district is not required by law to appropriate more than $80 per pupil. The parents are responsible for the remaining $20.

The following is a general plan of district organization with respect to combinations of elementary and secondary education:

District organization[20]	Number of districts
Eight grades of elementary	
With no high school instruction	145
Plus 2 years of high school	3
Plus 4 years of high school	50
Six grades of elementary	
Plus 2 years of high school	3
Plus 3 years of high school	2
Plus 4 years of high school	1
Plus 6 years of high school	33
No schools provided	4
Total districts	241

Of the 241 districts, 145 provide only the elementary education, grades I to VIII, and only 83 provide the full 12 years of elementary and secondary education, 50 of which operate on an 8 - 4 plan (eight years of elementary and four years of high school) and 33 of which operate on a 6 - 6 plan (six years of elementary and six years of high school).

For the year ended June 30, 1940, there were 73,205 pupils registered in the 12 regular grades of the public schools. Of these, 29.4 percent were registered in senior high school grades IX to XII, and 70.6 percent in elementary grades I to VIII. The state made a survey of teachers and pupils during the school year 1937-38, the results of which are shown in Table 4. Teachers were divided into four classes:

Table 4. The Number of Teachers, Pupils, and Pupils per Teacher, with Percentages, by Type of School, 1937-1938

Type of School	Teachers		Pupils		Number of pupils per teacher
	Number	Percent	Number	Percent	
Rural one-room	388	13.2	7,509	10.8	19.4
Village elementary	863	29.5	23,368	33.6	27.0
City elementary	777	26.5	20,544	29.5	25.1
Senior high schools	902	30.8	18,145	26.1	20.1
All schools	2,930	100.0	69,566	100.0	23.7

[20] Biennial report of the State Board of Education, 1939.

(1) one-room rural schools, (2) village elementary schools, (3) city elementary schools, and (4) senior high schools. The teachers in rural one-room schools constitute 13.2 percent of all the teachers but have only 10.8 percent of the pupils. The number of pupils per teacher in rural one-room schools is 19.4 compared with 23.7 for all schools. Village elementary schools have the largest number of pupils per teacher, namely 27.0. It is noteworthy that senior high schools have 30.8 percent of the teachers but only 26.1 percent of the pupils, an average of only 20.1 pupils per teacher.

Table 5 gives the distribution of teachers according to their salaries and type of school. Most of the rural one-room teachers get less than $1,000, and of the village elementary teachers nearly three-fourths receive between $850 and $1,100. On the other hand, city elementary and senior high school teachers average much higher than $1,100. The average salary of all elementary women teachers in the state was $1,094.

Table 5. Distribution of Public School Teachers According to Salary Range and Type of School, 1937-1938

Salary range	Type of school				
	Rural one-room	Village elementary	City elementary	Senior high schools	All schools
	Number of teachers				
Under $ 550		16*		9*	25
$ 550 to $ 649			3	1	4
$ 650 to $ 749	2	4	3		9
$ 750 to $ 849	117	79	4	5	205
$ 850 to $ 999	227	379	41	38	685
$1,000 to $1,099	28	222	75	90	415
$1,100 to $1,199	8	76	99	74	257
$1,200 to $1,299	3	34	102	68	207
$1,300 to $1,399	3	23	83	60	169
$1,400 to $1,499		10	58	61	129
$1,500 or more		20	307	496	823
No data			2		2
All teachers	388	863	777	902	2,930

* Some are part-time teachers.

The organization of the school district for administration of its affairs in many respects resembles that of the town. The annual district meeting may be held any time between March 1 and April 20 for the choice of district officers, for raising and appropriating money for the support of schools, and for the transaction of any other district business. Fifty-five percent of the school districts of the 116 rural towns visited held their annual meeting on town meeting day, most of them in the afternoon following the town meeting in the morning. In a few instances, the warrant specified the time of meeting as less than two hours after that specified for a town meeting, and in one instance as only 30 minutes after such meeting.

The voters at each annual meeting elect a moderator, clerk, one member of the school board for three years, a treasurer, and one or more auditors, usually two. Any other officers may be elected if necessary. High school districts may have three, six, or nine members on the school board. The treasurer assumes office at the beginning of the fiscal year, July 1, and other officers immediately upon election. Salaries of officers are those granted by the district. A school board member cannot also hold the office of treasurer or auditor.

The school board, usually of three members except in high school districts, acts as an administrative board in a capacity similar to that of selectmen in town affairs. However, more specific state-wide supervision is exercised over educational matters than over town affairs. The State Board of Education publishes and distributes its regulations concerning the powers and duties of local school boards and of superintendents of the supervisory unions. Although not identical with the public laws, they are consistent with them. These regulations appear in Appendix 1.

COUNTY ORGANIZATION AND ADMINISTRATION

The authorized meeting for carrying out certain powers granted the county is the county convention. The members of this convention for each county are the town representatives to the general court who first convene on the second Wednesday of each legislative session, usually at the capitol city. The major powers of the convention are three: first, the power to raise taxes for two subsequent years; second, to authorize the purchase, sale, and conveyance of real estate, and the erection, enlargement, or repair of buildings when the expense exceeds $1,000; and third, to issue bonds for county purposes. Since 1917 the convention has had authority to raise and appropriate money for the purpose of obtaining county agricultural agents. It should be understood that county taxes for two years are voted separately for each year and are collected in the year for which they are voted. The county commissioners, through the secretary of state, provide the convention with their recommendation for amounts of money to be raised for the county in each of the two years ensuing. Appropriations less estimated receipts represent the county tax for which the county treasurer submits his warrant to the respective towns and cities on the basis of equalized valuation. County taxes amount to about one-sixth of all the taxes levied locally by towns for town, school, and county purposes.

At the biennial election in November the qualified voters in each county elect by ballot the following officers for two-year terms:

1 sheriff	1 register of deeds
1 county solicitor	1 register of probate
1 county treasurer	3 county commissioners

All except the commissioners are mentioned in the constitution.

With the exception of the officers in Strafford and Belknap counties and the solicitors of Merrimack and Coos counties, all of which

take office on January 1, county officers take office on April 1. The superior court has power to remove any county officer for cause.

The county commissioners are the administrative board of the county. From their number they choose a chairman and a clerk. The clerk is responsible for keeping a record, the proceedings of the commissioners and of the county convention, in addition to recording all claims allowed by the commissioners. The board has the custody and care of all property belonging to the county, and has power to appoint the superintendent for the county farm, house of correction, hospital, and jail. Furthermore, they may establish rules and regulations. The care and support of county paupers is a direct responsibility of the commissioners, even though they may delegate authority to officials of the several towns to provide for the county poor.

The county treasurer is responsible for keeping a record of all county receipts and payments from county funds in books prescribed by the state tax commission. He is required to make all payments upon order of both the county commissioners and the superior court.

The sheriff is the general peace and law enforcement officer of the county. He is the crier of the superior court and has custody of the county jail in those instances where the jail is not located at the county farm. He is authorized to appoint as many deputies as he considers proper. The sheriff's powers to serve criminal or civil processes and to apprehend criminals extend throughout the state as well as within his county.

The work of the sheriff is under the general supervision of the county solicitor who, essentially, is a state officer even though he is elected by popular vote as a county official. He is under the direction of the attorney general, in whose absence he performs all of the duties of the attorney general's office for the county. Under the direction of the county commissioners he prosecutes or defends any suit in which the county is interested, but in important cases he requests the attorney general to take personal charge of prosecution.

The governor is required by law, with the advice and consent of the council, to appoint three medical referees for each of the counties of Coos, Grafton, and Hillsborough, two for Rockingham, and one for each of the other counties. Medical referees hold office for five years and are removable by the governor and council at any time for cause. Their duties are those of examining the dead bodies of persons who are supposed to have come to their death by violence or unlawful act.

County auditors are annual appointees of the superior court. With respect to their duties, "They shall, once in three months, audit the accounts of the county commissioners, superintendent of the county farm and county treasurer. They shall also audit, once in three months, the bills of the county commissioners for services and expenses, and report their findings to the court." [21] For the most part this is a post-audit.

In New Hampshire the recording of all mortgages and deeds is a responsibility of the county register of deeds, an elective office.

[21] Revised Laws, 1941, Chapter 44, Section 19.

The offices and safe of the register of deeds are located in the county courthouse of the respective counties. His duties are confined to the ordinary work of similar positions found elsewhere, namely that of keeping all books, records, files, and papers belonging to the office, and that of receiving all instruments brought for the purpose of filing and recording.

The register of probate ". . . shall record, in suitable books prepared for that purpose, the amount of footing of each class of property, as specified in the inventory; all wills and their probate; all proceedings with regard to real estate; all accounts settled, and all orders, decisions and appointments from which an appeal may be claimed." [22] He is not permitted to act as counsel in any proceeding in the court of which he is register. Furthermore, he cannot act as appraiser of any estate under administration in the court of which he is register.

The judicial court of the county is called the superior court. There are a chief justice and four associate justices, all appointed by the governor and council. The five justices serve the ten counties and hold two or three terms of court annually in each county, the exact number varying among the individual counties. The salaries of the justices are fixed by law at $7,000 each, and are derived from appropriations of the state legislature. When the business of the superior court requires it, the chief justice may request that a justice of the state supreme court preside.

With the exception of the auditors, whose compensation is determined by the superior court, the salaries and fees of county officers are fixed by acts of the general court. All treasurers, commissioners, and the register of deeds for Strafford County are paid a salary. All other registers of deeds and all medical referees receive compensation for their services in the form of fees. Sheriffs, solicitors, and registers of probate are permitted to receive fixed fees to supplement their annual salaries.

SUMMARY AND CONCLUSIONS

Part I of this publication presents a general but brief description of the organization and administration of local units of government in New Hampshire. This presentation appears pertinent as basic information for a subsequent review of the fiscal system and of the major functions of these local units as subdivisions of the state. Whether or not the existing organization and its accompanying administration is economical is of no concern here inasmuch as the statistical data necessary to support such conclusions are lacking. However, a summary of the contents of this section of the bulletin and some conclusions follow.

The costs of governmental services in New Hampshire during the past quarter century have increased more rapidly than has population or taxable wealth. Therefore, inasmuch as the property tax is, and has been, the major source of revenue for local units of govern-

[22] Revised Laws, 1941, Chapter 338, Section 7.

ment, increased appropriations mean an increased levy upon taxable property. The weighted average tax rate for all towns and cities increased from $1.65 per $100 of assessed valuation in 1914 to an all-time high of $3.48 in 1938.

New Hampshire is a small state, covering an area of only 9,031 square miles with a population of 491,524 in 1940. Neither population nor taxable wealth is evenly distributed throughout the towns and cities. Although the population of the state increased 14 percent from 1910 to 1940, there are numerous rural towns in which the population has declined more than one-half since 1880. Furthermore, these towns have not shared in the increase in taxable wealth, as evidenced by the state as a whole.

Typical of the New England States, but contrary to states in other geographical areas, the town is the most important unit of local government. The more important functions of the town are concerned with the maintenance of town roads, the assessment of property for tax purposes, the collection of taxes, the protection of persons and property, and the relief of the town poor. To elect the necessary town officers, and to transact other business matters, towns are required by law to hold an annual town meeting on the second Tuesday of March. Much community interest centers around this democratic institution, the town meeting, which continues as a means of debating and settling by majority vote many of the problems of local concern.

There is no standard roster of town officers. The total number of officers in 116 rural towns averaged 27.4 per town in 1939. The more important town officials include three selectmen (the executive board who also serve as assessors), town clerk, town treasurer, town tax collector, town highway agent, police officer, health officer, and one or more auditors.

Public laws authorize towns to establish the office of town manager. The plan, although apparently sound in principle, is one which rural towns have felt they could not afford, and consequently no towns have adopted it.

The 69 village districts are organized for the purpose of providing special services to the inhabitants within the district area. During the month of March, but subsequent to the town meeting, the voters of the district hold an annual meeting for the purposes of electing officers, voting appropriations, and caring for other business matters concerned with the district. The village district has all the powers of a town for similar services.

A city occupies the area of the town to which it succeeds, but it performs the usual town functions in addition to providing other services. Much legislation pertaining to towns applies also to cities.

In general, the school district is coterminous with the town. Its only function is concerned with the providing of public education. The district holds its annual meeting at about the same time as the town meeting. At this meeting, the district officers are elected, money is appropriated for school purposes, and other district business is transacted.

In order to facilitate state supervision, the school districts are organized into 48 supervisory unions, each having from one to nine districts. A supervisory union is under the general supervision of the superintendent of schools, who is an employee of the State Board of Education but is an appointee of the local school boards.

Of the 241 school districts in the state, four do not maintain a school. Fifty-five districts have only one-room schools, the number in each district varying from one to nine. On the other hand, 108 districts have no one-room schools. There are 145 school districts which provide only elementary education, grades I to VIII, and there are 83 districts which provide the full 12 years of elementary and secondary education. Every school district is required by law to provide the equivalent of eight grades of elementary education. Furthermore, districts not maintaining a high school are required to pay high school tuition but not transportation. In 1939-40, 29.4 percent of all pupils were registered in senior high school, grades IX to XII, and 70.6 percent in the elementary grades, I to VIII. The teachers in rural one-room schools constitute 13.2 percent of all the teachers in the public schools of the state but have only 10.8 percent of the pupils.

County functions are confined principally to welfare and the administration of justice. The county legislative body is the county convention, the membership of which consists of town representatives to the state legislature. County officials are not members of the convention. The convention is held in legislative years, biennially. Money is appropriated at the convention for two years, but each year's appropriation is voted separately and is collected in the year in which it is levied.

The county institutions include the county farm, jail, hospital, and house of correction. With the exception of the jail in some instances, all of these institutions are centralized at the county farm and are under the immediate supervision of a superintendent, an appointee of the county commissioners, the executive board of the county.

The law enforcement officers of the county are the sheriff and his deputies, county solicitor, and medical referees. The judicial court of the county is called the superior court. Five justices, appointed by the governor and his council, serve the ten counties, and hold two or three terms of court in each county annually.

Popular comment concerning local government in New England is focused on the premise that the governmental unit has not kept pace with the economic unit and that the former should be expanded accordingly. With respect to the administration of local services of government, the predominating trend in New Hampshire is toward greater supervision and control by the state and not toward a stronger county government at the expense of the towns. This trend in the direction of strengthening state-local relationships is pronounced in many activities, including, in particular, highways, education, public welfare, public health, law enforcement, and tax administration.

During the 1941 legislative session a committee was appointed to examine the feasibility of eliminating county government and dividing the county functions between towns and the state. No further

legislative action materialized, but the mere fact that the matter was presented suggests a future trend toward weakening county government. How many of the present county functions would be assumed by the towns and cities is questionable. It was probably not the intention of the initiators of this scheme to dispose of all county functions, certainly not the courts nor the registers of deeds and of probate. Inasmuch as welfare is the major function of the county, it may be assumed that this recent legislative action is aimed at that particular function.

A review of certain facts suggests some possible advantages in reorganization of welfare administration. Counties, like towns, vary in area, in population, and in taxable wealth. (See Appendix 2.) Furthermore, the state itself is small. The entire population is less than that of a number of individual counties in other states. Only recently the state department of public welfare was reorganized; its activities have been broadened and coordinated. County welfare officers are, for the most part, part-time officials, who obtain office by popular election, and not because they have shown any particular aptitude for administering public welfare services.

It would appear that there might be some economic and social gain in having a strong state department assume full supervision of and responsibility for the county institutions and welfare services through the appointment of qualified personnel. This would make it possible to establish administrative areas which may or may not be coterminous with the present counties. Assuming that the county will maintain its present importance as a civil division of the state, and in view of the fact that the welfare activities of the county have increased to such large proportions, it might be advisable to establish the office of County Superintendent of Public Welfare, a full-time official appointed by the State Commissioner of Public Welfare on recommendation of the county commissioners. It is conceivable that such an appointee might be given some supervisory powers over the welfare activities of towns.

A large proportion of the important officials in local units of government in New Hampshire are elected by popular ballot. Whether these officials are appointed or elected is not determined in all instances by their respective positions in a "line of responsibility." For instance, the county solicitor is elected by ballot but is responsible to the Attorney General, by whom he should be appointed for an indefinite term. Similarly, the solicitor might well appoint the medical referees and the superior court appoint the sheriff.

The long ballot for town elections presents a problem more apparent than real from the point of view of economy since for the most part the compensation is small for the amount of time consumed. The more serious problem is that of administration. One highway agent might well be appointed for an indefinite period by the selectmen to whom he is responsible, and the practice of dividing the town into highway districts, with an agent appointed or elected for each district, might with advantage be discontinued. It might also be better for the selectmen to appoint the treasurer. Furthermore, many

towns might abolish local auditors and avail themselves of the facilities offered by the newly created Division of Municipal Accounting.

Although the responsibility for general supervision of public education is assumed by the state, much local business is transacted at the discretion of the school district. The consolidation of schools and of districts emanates from action by the local community as authorized by public law. The trend toward the elimination and consolidation of small one-room schools is evident and probably will continue. In many instances districts might well consider possible advantages of joint districts, but this is not always feasible under the existing fiscal system because of the extreme effects on tax rates which may result from such mergences. (See Appendix 3 for illustration of this debatable point.)

Fortunately, the state constitution is brief with respect to local government, and, accordingly, improvements in local organization and administration are not generally dependent on constitutional amendment. Thus the problem of improvement involves a distinction between those legislative acts which control and fix local practices and those which permit optional decisions by local units. For instance, the voters assembled at town meeting can, if they choose, instruct the selectmen to appoint a highway agent and to eliminate division of the town into highway districts. On the other hand, legislative action is necessary in order to centralize all fiscal matters such as accounting and reporting.

PART II. THE FISCAL SYSTEM

A description of the fiscal system involves an explanation of the obtaining and spending of public money and a description of the administrative controls surrounding the receipt and expenditure of such funds. We are concerned here principally with an account of the sources of revenue, of the purposes of expenditures, and of the administrative arrangements whereby local units of government in New Hampshire safeguard their financial affairs.

Fiscal systems vary among the states. The different sources of revenue and the relative significance of each source are influenced by the constitution and statute law peculiar to the individual state. Types of expenditures are largely the result of an allocation of functions among the levels of local government and the demands of the people for various governmental services. Administrative arrangements and local practices are likewise controlled by constitutional or statutory provisions, or both. They vary considerably among the local units at a given level as a result, not only of the flexibility provided by home rule, but also as a result of differences in interpretations and in the concepts of local officials.

There is considerable variation among the units of local government in New Hampshire with respect to fiscal years. With the exception of the highway department, the state departments close their years on June 30. The state highway department has adopted for its fiscal year the period ending January 31, which corresponds with the fiscal year of towns and precincts. The most logical fiscal year is that of school districts, which closes on June 30. This is immediately after schools are closed for the summer, and it coincides with that of the state department of education. The ten counties adopt the calendar year and the eleven cities close their year according to their individual charters, the earliest on November 30 and the latest on February 28. Seven of the eleven cities, however, have adopted the calendar year.

In order to understand the fiscal system of local units of government in New Hampshire, it should be remembered that the property tax is the major source of revenue and that the actual administration of the property tax is a function of the town. Town officers are responsible for appraising the property and for levying and collecting the tax, even though part of the revenue thus obtained is paid to other units of government. Thus the property tax includes the state direct tax, (until 1939),[23] county taxes, school district taxes, and village district taxes. Taxes collected by the town for other local units represent the *net* appropriations of those units. Estimated income from all other sources is deducted from gross appropriations. Likewise, the town tax is a net figure and represents only the amount of money to be obtained from the property tax after all other sources of income are deducted.

[23] The tobacco tax was substituted for the state direct tax by legislative action in 1939.

BUDGETING

Authority to make appropriations for meeting town expenditures is vested in a majority vote of the voters assembled in town meeting. The items for which towns have power to appropriate money are stated in the public laws[24] and include "necessary charges arising within the town." It is essential that some means be provided for submitting a list of appropriations to the voters before town meeting. The procedure to accomplish this is regulated by the statutes (aside from the Municipal Budget Act of 1935, to be discussed subsequently):

> **Budget.** Immediately upon the close of the fiscal year the budget committee in towns where such committees exist, otherwise the selectmen, shall prepare a budget on blanks prescribed by the tax commission. Such budget shall be posted with the town warrant and shall be printed in the town report at least one week before the date of the town meeting.[25]

Accordingly, the selectmen post a copy of the proposed budget with the town warrant and distribute copies of the town report among the voters, either at the town meeting or at their homes prior to the town meetings.

Of the rural towns not now operating under the Municipal Budget Act a majority have adopted the policy of delegating the preparation of the budget to a committee rather than to the selectmen. This committee is called by various names, such as budget, finance, appropriations, and ways and means. A few of these committees are either appointed by the selectmen or elected by the voters, but more frequently they are appointed by the moderator. In one town the selectmen and school board make up the budget committee, and in another the selectmen hold a budget meeting with local business men. At any rate, recognition of the necessity for a more thorough study of the budget before submitting it to popular vote is a matter of long standing.

During its 1935 session the state legislature passed the "Municipal Budget Act" which required all towns at their next annual meeting (March, 1935) to vote ". . . on the following article to be inserted in the warrant: To see if the town will vote to adopt the provisions of the Municipal Budget Act."[26] The act further provided for the subsequent insertion of such a proposition in the warrant, on petition of ten legal voters, in those towns which originally failed to adopt it. According to the results of a recent questionnaire distributed by the State Tax Commission, there are now 59 towns operating under the act. Of the 116 rural towns surveyed for this project, 45 adopted it and five later rescinded this action. The reasons for not adopting the act, or for later rescinding it, as stated by selectmen, are either that the town already had a budget committee or that the act merely

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[24] Revised Laws, 1941, Chapter 42, Section 4.

[25] *Ibid.*, Section 80.

[26] Revised Laws, 1941, Chapter 52, Section 1.

delegated more supervision over local affairs to the state or to fewer people in the community. In those towns which have retained the act, the selectmen quite generally speak of it in the most favorable terms.

The act stipulates that there shall be in the budget committee three, six, nine, or twelve members at large, a selectman, and one chosen by the school board (usually a board member). The town meeting determines the number of members at large and whether they are to be elected or to be appointed by the moderator.

Statutory provisions concerning the duties of the committee follow:

> **Preparation of Budget.** It shall be the duty of the budget committee to prepare a budget according to forms prescribed by the tax commission for town and school expenditures and for this purpose to hold public hearings, notice of which shall be given at least seven days in advance. The budget committee shall consult the selectmen, school committee, and other town officers and departments as to the costs of government, revenue anticipated and services performed, and it shall be the duty of any town or school officer or employee to furnish information required by said committee. It shall also be the duty of all boards of selectmen and of school committees of each town to prepare and submit to the budget committee of the town an itemized statement of expected receipts and expenditures for the ensuing year at such time as said budget committee shall fix. When completed the budget shall be printed in the town report or separately and distributed or published in some newspaper printed or circulated in said town at least one week before the town or school meeting. In any town where a budget committee has not been authorized, the selectmen shall perform the duties of said committee in relation to town expenditures. [27]

In accordance with this provision of law, the board of selectmen and the school board submit their respective recommendations to the committee through their own members. The budget committee places them "on the carpet", so to speak, in their effort to evaluate the financial needs of the town. Some committee members assume the attitude that their only function is to reduce taxes, whereas others believe they can best serve the community by preventing unnecessary appropriations and by supporting a long-time financial plan adapted to a succession of improvements, thereby preventing an excessive appropriation in any one year.

According to the act the voters assembled at town and school district meetings are not permitted to make appropriations for any purpose not included in the budget, and the total amount appropriated cannot exceed by more than ten per cent the amount budgeted. Except under special circumstances covered by law, the selectmen and school board are not permitted to use money for any purpose not mentioned in the budget, but it is permissible to transfer an unexpended balance from one appropriation to another. The act provides as follows:

> **Exceeding Appropriations.** In towns adopting the provisions of this act, no board of selectmen, school board or other spending

[27] Revised Laws, 1941, Chapter 52, Section 3.

> agency shall pay or agree to pay any money or incur any liability involving the expenditure of money for any purpose for which an appropriation has not been made, or in excess of any appropriation or allotment made to it except for the purpose of paying judgments rendered against a town or school district, provided, however, that in case of sudden and unexpected emergency the selectmen may on application to the tax commission and the school board on application to the state board of education after hearing be given a certificate of emergency authorizing them to make such expenditure or incur such liability; provided, further, that in cases arising during the year following a town meeting where changes occur which make it unnecessary to use the amount appropriated for a specific purpose, an unexpended balance may be transferred by boards of selectmen or school boards from one appropriation to another, provided the total amount expended for all purposes does not exceed the total amount appropriated at town or school meetings for all purposes. [28]

The purpose of the act is to present the voters with a more intelligent budget and to eliminate from the town meeting radical appropriations by self-interested groups. Its continuity, however, depends in no small measure on the recognition by the committee members of local public opinion, inasmuch as the power to rescind is vested in a majority vote.

It must be remembered that the town meeting votes only on appropriations for town purposes, and the total town budget upon which the tax rate is computed includes the amounts stated in the warrant of the county treasurer and net appropriations of school and village districts. If the act is accepted by the town, the school district is forced to comply, even though school appropriations are voted in the school district meeting and not in the town meeting. For those districts of towns not operating under the municipal budget act, the school board prepares the school budget for the district meeting in the same manner in which selectmen prepare the town budget for the town meeting. The village district is not mentioned in the municipal budget act. Village appropriations are voted by motion in the village district meetings and the village district clerk presents the selectmen with a copy of the motion, but this transaction is not a part of the business of the town meeting.

Appendix 5 is a budget copied from the town report of a typical rural town. This town had a population of 797 in 1940. It has no precinct, and it has adopted the municipal budget act. Note that the estimated expenditures include an estimate of taxes payable to other governmental units, namely state, county, and school district. However, the town does not vote on these items, but rather on town charges and special appropriations, such as shown in the budget for Memorial Day, Old Home Day, white pine blister rust, and new highway construction. The "Amount to be Raised by Property Taxes" ($23,490.35) is only an estimate based on the printed budget. The budgeted expenditures for town purposes can be changed in the town meeting, and the amount budgeted for school purposes can be changed in the school district meeting. Furthermore, the amount of

[28] Revised Laws, 1941, Chapter 52, Section 5.

taxes to be levied for state and county purposes is not ordinarily available at the time of the town meeting and therefore is an estimate.

The following is the only provision of law directly concerned with the county budget:

> The county commissioners shall send to the secretary of state, prior to the fourth Wednesday of each biennial session of the legislature, a statement of the condition of the county treasury on the preceding December 31, accompanied by their recommendation of the sums necessary to be raised for the county in each of the two years next ensuing, stating therein in detail the objects for which the money is required; and the secretary of state shall deliver the same to the clerk of the convention upon request. [29]

However, the director of the Municipal Accounting Division now requires a certified copy of the county budget consisting of estimates of receipts as well as of expenditures. The county treasurer then submits his warrant to the selectmen of the several towns, apportioning the net appropriations on the basis of "equalized valuation." The town meeting has no direct control over county appropriations, and, in fact, it is given no opportunity to accept or reject them. Towns not having paid the county tax by December 7 are charged interest on the amount then unpaid at the rate of 10 percent per year from that date.[30]

DEBT LIMITS AND FINANCIAL CONDITION

Towns and cities have power to borrow in anticipation of taxes. These loans must be payable within one year and must be paid from the taxes of the municipal year in which they are incurred.[31] The purpose of this type of loan is to meet current expenses until the bulk of tax money becomes available. Another type of temporary loan is classed as "emergency borrowing." This type of borrowing is permitted in cases where money belonging to the town or city is lost or rendered unavailable through default or suspension of payment.[32] Such loans must be made payable not later than December 10 following their date of issue, but may then be renewed.

The "Municipal Bonds Statute"[33] was passed by the state legislature in 1917. The act applies to counties and all municipalities, including cities, towns, school districts, and precincts. The act prohibited the further establishment of sinking funds as a means of extinguishing debts. Municipalities which had already established such funds were permitted to continue them, but were required to make such annual contributions as necessary to extinguish the debt at maturity. All other municipalities were required to refund outstanding indebtedness by the issue of serial bonds.

At the present time all municipalities and counties are required to provide for the payment of all debts, except temporary loans in an-

[29] Revised Laws, 1941, Chapter 44, Section 13.
[30] Revised Laws, 1941, Chapter 48, Section 10.
[31] Revised Laws, 1941, Chapter 51, Section 80.
[32] Revised Laws, 1941, Chapter 51, Section 12.
[33] Revised Laws, 1941, Chapter 72.

ticipation of taxes, in annual payments, so that the amount of the annual payment in any year shall not be less than the amount of the principal payment in any subsequent year. The entire debt for which the notes are issued must be liquidated in not more than twenty years. The annual principal payment and the interest are required to be assessed and collected annually. Demand notes are not permitted. The purposes for which bonds and notes may be issued are limited to the construction and purchase of buildings and public improvements of a permanent nature, the acquisition of land, purchase of equipment of a lasting character, and the payment of judgments.

The debt limit of municipalities and counties is also provided for in the Municipal Bonds Statute. The limits, based on the percent of the last assessed valuation of taxable property, follow:

Counties	3 percent
Cities and towns	3 percent
School districts	2 percent
Village districts	1 percent

Loans in anticipation of taxes and debts for water supply may be incurred outside the debt limit. Furthermore, local units of government, upon approval of the tax commission, may make application to the governor and council for authority to exceed existing debt limitations for the purpose of taking advantage of such grants or aid as may be offered them by the United States Government.[34] The issue of county bonds is authorized by the county convention; of city bonds, by the city council; and of town or district bonds, by popular vote at the respective meetings.

The financial condition of local units of government is reported by each unit in its annual report to the state tax commission. The prescribed blank for making this report is in the form of a balance sheet. On the asset side are listed cash, receivables, and net debt, and on the equity side are listed the short and long-time liabilities and surplus. Net debt, or surplus, is always the difference between total assets and total liabilities.

The financial condition of local units of government as reported by the state tax commission is shown in Table 6. With the exception of a small amount of current accounts receivable, assets are made up of approximately equal amounts of cash on hand and uncollected taxes. Only towns and cities show uncollected taxes as such. Counties, however, occasionally have a comparatively small amount outstanding at the end of the fiscal year which represents taxes not yet turned over by the towns and cities. It will be recalled that towns and cities assume the responsibility for delinquent taxes and that other units of local government receive the full amount of their levies.

The combined liabilities of all local units totaled nearly 25 million at the end of the fiscal year 1940, whereas assets equaled only a little more than eight million, thus leaving a net debt of about 16 million. School districts, village districts, and counties do not bor-

[34] Session Laws, 1933, Chapter 162.

TABLE 6. FINANCIAL CONDITION OF LOCAL UNITS OF GOVERNMENT IN NEW HAMPSHIRE AS REPORTED BY THE STATE TAX COMMISSION

Governmental units	End of fiscal year	Assets			
		Cash on hand	Accounts due	Uncollected taxes	Total
Counties	December 31, 1939	$ 373,476	$ 40,131	$ 65,139	$ 478.746
Towns and cities	January 31, 1940	2,568,076	443,055	3,929,367	6,940,498
School districts	June 30, 1940	505,468	112,812	none	618,280
Precincts	January 31, 1940	180,596	71,943	none	252,539
All units		$3,627,616	$667,941	$3,994,506	$8,290,063

Governmental units	Liabilities				
	Accounts owed	Temporary loans	Long-term notes	Bonds	Total
Counties	$ 186,012	$ 167,000	$ 148,000	$ 2,525,000	$ 3,026,012
Towns and cities	2,109,468	2,390,178	2,048,009	9,479,880	16,027,535
School districts	189,729	none	329,537	3,915,125	4,434,391
Precincts	9,347	none	256,103	874,084	1,139,534
All units	$2,494,556	$2,557,178	$2,781,649	$16,794,089	$24,627,472

row in anticipation of taxes, although counties are authorized to incur short-term indebtedness upon the order of the commissioners with the approval of the superior court whenever the money in the treasury is not sufficient to meet current demands. Therefore, most of the temporary loans outstanding are those of towns and cities. Liabilities of towns and cities are smaller in relation to the reported assets than for the other units of local government. Considerably more than half of the assets of towns and cities are represented by unconllected taxes. This is not significant, however, as a means of meeting long-time obligations. Notes and bonds are met by annual appropriations. Nearly two-thirds of the total liabilities of all units are represented by bonds outstanding, and the remaining one-third consists of unpaid bills, temporary loans, and long-term notes. Bond issues constitute a smaller proportion of the liabilities in towns and cities than in the counties, school districts, and precincts.

The total net debt of the state and its subdivisions amounted to nearly 28 million, 41.2 percent of which was the net debt of the state

TABLE 7. NET DEBT OF THE STATE OF NEW HAMPSHIRE AND ITS SUBDIVISIONS*

Governmental units	Number of units	End of fiscal year	Net debt	Percent of total
State	1	June 30, 1940	$11,426,435	41.2
Counties	10	December 31, 1939	2,547,266	9.2
Towns and cities	234	January 31, 1940	9,087,037	32.7
School districts	241	June 30, 1940	3,816,111	13.7
Precincts	67	January 31, 1940	886,995	3.2
All units	553		$27,763,844	100.0

* Annual report of the State Tax Commission, 1940.

(Table 7). Towns and cities rank second with 32.7 percent, school districts third with 13.7 percent, counties fourth with 9.2 percent, and precincts last with only 3.2 percent.

The bonded indebtedness of counties, towns, and cities, and school districts amounted to $32.39 for each person in the state, and to 2.9 percent of the assessed valuation of taxable property (Table 8). The bonded indebtedness of towns and cities alone amounted to $19.29 per capita, and to 1.72 percent of the assessed valuation. The respective figures for school districts are less than half those for towns and cities, and those for counties are about one-fourth.

TABLE 8. BONDED INDEBTEDNESS PER CAPITA, AND AS PERCENT OF TAXABLE WEALTH, FOR COUNTIES, TOWNS AND CITIES, AND SCHOOL DISTRICTS

Governmental units	Bonded indebtedness		
	Amount	Per capita	Percent of taxable wealth
Counties	$ 2,525,000	$ 5.14	.46
Town and cities	9,479,880	19.29	1.72
School districts	3,915,125	7.96	.71
All units	$15,920,005	$32.39	2.88

ACCOUNTING, REPORTING, AND AUDITING

Towns

The town treasurer is the custodian of all town funds, but the receiving of such moneys from the public in the first instance is decentralized among several town officials. The town tax collector is responsible for the collection of property, poll, and national bank stock taxes. He is required on the first Saturday of each month to turn over to the treasurer all money collected up to that time. The town clerk collects dog license fees and after retaining 20 cents for each license issued pays the balance to the treasurer not later than June 1. He also collects motor vehicle fees and once each month he is required to pay the entire amount collected to the treasurer, who upon order of the selectmen reimburses the clerk at the rate of 25 cents for each fee collected. Miscellaneous money due the town, including such items as receipts from the sale or rent of town property and from services rendered individuals by the highway department, is sometimes paid directly to the treasurer but more frequently to the selectmen who are required to transfer their collections immediately to the treasurer.

Each order of the selectmen is an order for the treasurer to pay a claim against the town. The bottom section of the order sheet is the bank check which is signed by the selectmen and countersigned by the treasurer. The top section of the order sheet is commonly called the "selectmen's stub" and contains a classified list of town payments. These stubs are retained by the selectmen and are the basis for the selectmen's classified record of payments.

Accounts kept by the town clerk for dog license fees and motor vehicle fees are largely a matter of retaining the receipt stubs for later verification against the accounts of the treasurer. However, some town clerks keep a "receipts and payments" book.

According to the usual procedure, appropriations for town highways are expended by the town highway agent, who receives money from the treasurer but only on order of the selectmen. The highway agent pays his workers and pays for necessary purchases, but submits to the selectmen weekly statements of his expenditures with proper vouchers. The highway agent's accounting therefore is largely a record of payrolls but includes other expenditures.

The necessary accounting for keeping a record of individual trust funds is a responsibility of the trustees of trust funds. This involves, for each fund, a record of the original principal, of interest earned and spent, and of the unexpended balance.

Immediately following the end of the fiscal year, January 31, town officers are busily engaged in preparing the town report. The auditors, treasurer, highway agent, and trustees of trust funds send their financial reports to the selectmen, who, with their own reports and those of the school and village districts, prepare the town report for publication. The following sections from the public laws refer to the procedure for reporting to the town.

> At the close of each fiscal year the selectmen shall make a report to the town, giving a particular account of all their financial transactions during the year, and of the financial condition of the town at the close of the year, including a schedule of all its assets and liabilities.[35]

> The selectmen shall cause their report and those of the treasurer, auditors, school boards, town clerk relative to vital statistics, and of other town officers required by law to make reports, to be seasonably published in pamphlet form at the expense of the town and distributed among the voters at or before the town meeting.[36]

Within thirty days after publication, the town clerk is required to mail two copies each to the state library, the New Hampshire Historical Society, and the Genealogical Society.

In the interest of completeness and uniformity, the state tax commission has distributed to selectmen of the various towns a suggested outline for publishing their annual report. It is included here because these town reports are the major permanent record of town business to which citizens and investigators may readily refer. The suggested outline follows:

1. List of Town Officers
2. Copy of Current Town Warrant
3. Copy of Budget
4. Copy of Summary Inventory
5. Statement of Appropriations and Taxes Assessed
6. Comparative Statement of Appropriations and Expenditures
7. Statement of Assets

[35] Revised Laws, 1941, Chapter 59, Section 17.
[36] *Ibid.*, Section 18.

8. Statement of Liabilities
9. Schedule of Town Property
10. Town Clerk's Report, including motor vehicle permits and dog licenses
11. Tax Collector's Report
12. Treasurer's Report
13. Summary of Receipts
14. Summary of all Payments
15. Detail Statement of Receipts
16. Detail Statement of Payments, following order in which they appear in summary
17. Report of Highway Agents
18. Report of Trustees of Trust Funds, same as report to Tax Commission
19. Report of Auditors
20. Report of Library Trustees
21. Report of Precinct
22. Report of School Districts
23. Vital Statistics

Towns generally adhere to the uniform classification of receipts and expenditures prescribed by the tax commission, but minor expenses are not always allocated to the proper class, and the reports of individual officers are frequently incomplete. Many accounts are not carefully checked before printing; this results in numerous errors. The fact that the fiscal year ends on January 31, and that reports must be in the hands of the voters at or before the town meeting on the second Tuesday of March, means that too little attention is devoted to checking the original reports of officers and to galley proof reading.

At each annual town meeting one or more auditors are elected to audit the accounts of persons handling public money. By statute the accounts of the selectmen, town treasurer, town clerk, collector of taxes, and any other agent handling the funds of a town are all included in the audit. In a few instances rather large amounts of town money have been misappropriated by dishonest public officials. This has sometimes continued over a period of years without detection by the local auditors. Auditors are elected at the annual town meeting in March but do no auditing until the following February after the end of the fiscal year, January 31. Thus, the town audit is a post-audit. The auditors' report is a report to the town and appears in the town report soon after the audit.

The state legislature in 1939 passed an act which provided for establishment of a municipal accounting division within the state tax commission and under its general supervision. The municipal accountant, an appointee of the tax commission and director of the division, cooperates with local governmental officials in establishing uniform accounting in a prescribed manner and in the preparation of uniform reports. Although the usual auditing of local accounts is a local function, the commission is authorized to cause an audit by the division whenever conditions appear to warrant it. The commission is further authorized to approve the statements of appropriation, a summary inventory of taxable property, taxes assessed, and the computed tax rate before towns proceed to levy taxes.

School Districts

Inasmuch as the school tax is included as part of the town tax collector's warrant and is therefore paid over to the town treasurer, the school district must obtain its tax money from the latter and only upon selectmen's orders. The school district treasurer can then pay the claims against the district only upon order of the school board.

In most districts the bookkeeping is done by the treasurer and school board members, much as the town treasurer and selectmen keep town accounts. The treasurer keeps a cash book and retains the stubs from all orders of the school board. One of the school board members keeps a classified account of all district expenditures on forms prescribed by the state department of education.

The school board is responsible for the collection of money due the district, including such items as tuition, transportation, and, perhaps, rent of the school house. These sums are frequently paid directly to the treasurer, or even to the school principal, but they are ultimately turned over to the district treasurer.

School districts within a supervisory union are, in increasing numbers, jointly employing a full-time office clerk for the purpose of keeping the accounts of each of the districts in the union. This clerk is usually located in the office of the superintendent and works under his supervision. In addition to keeping the accounts, the clerk cares for the superintendent's correspondence, prepares the school board orders, sends out bills for accounts due the district, and cares for other office routine. The clerk's salary is fixed by the school boards of the supervisory union at a joint meeting. The boards also determine the manner in which the expense is apportioned among the districts.

This procedure relieves school board members of much routine work, but it has little, if any, effect on the district treasurer. It has the further advantage of assuring uniform accounting throughout the supervisory union. One would suppose that this procedure might cause school board members to become less well informed about expenditures, but this problem is partially overcome by having the superintendent forward a financial statement to each board member periodically during the year.

In a few instances the school district publishes its own report, but more frequently it appears in the town report. Because the school year ends June 30, the annual school report appearing in the town report is always for the year ending June 30 preceding the end of the town year on January 31. Payments made to the school district as reported by the selectmen are always those for their own year and not for the school year. To obtain district expenditures for the school year, one must look to the school report.

School districts are required to make annual reports to the state tax commission as well as to the state department of education. Registration and attendance are reported by the superintendent. The state board of education requires more numerous and detailed reports of districts which receive state aid. In all cases the costs of

instruction in high schools are separated from similar costs in elementary grades.

One or more auditors are elected annually at the school district meeting. In approximately half of the rural towns these auditors are the town auditors. They are required to audit the accounts of the school board and of the district treasurer, and then report to the board members who include the audit with the district report to be published in the town report.

Village Districts

The moderator, clerk, treasurer, and commissioners of the village district have the same duties as the moderator, clerk, treasurer, and selectmen of the town with respect to those functions for which the district is organized. The district has its own annual meeting and votes its own appropriations. The budget is submitted to the meeting by the district commissioners. After deducting estimated income from other sources, the balance is voted to be raised by a tax on property. This is collected by the district treasurer from the town treasurer on selectmen's orders.

The treasurer keeps a classified account of all receipts and pays out money only on order of the district commissioners who keep a classified account of expenditures. Like other units of local government, the village district is required to make an annual report to the state tax commission of all financial transactions. Smaller towns having precincts usually include the district report in the town report, whereas the larger towns publish a separate report.

Occasionally the town auditors serve to audit the accounts, but more frequently auditors are appointed at the district meeting. The fiscal year of the village district corresponds with that of the town, and auditing occurs at the same time as town auditing. Auditors report to the district through the media of the district's annual report.

Counties

The responsibility for control of county expenditures is divided between the commissioners, court justices, superintendent of the county farm, and local welfare agencies. The county treasurer is responsible for keeping the "receipts and payments" book according to the uniform classification prescribed by the state tax commission.[37] The clerk of the board of commissioners files all vouchers allowed by the commissioners. The clerk of the county court furnishes the commissioners with a duplicate order of all payments allowed by the justices. The superintendent of the county farm keeps a cash receipts and payments book as prescribed by the tax commission. In the accounts of towns and cities there appears a payment item, "Charities: County Poor," and a receipt item, "From County: For Support of Poor." These two items are generally equal if the commissioners approve all the vouchers submitted by the selectmen, and if there are no amounts due the town from the county at the beginning or end of the town fiscal year.

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[37] Revised Laws, 1941, Chapter 47, Section 18.

Sheriffs and jailers are required to keep an account of all money received by them for the county. Such accounts must be submitted to the commissioners before the sheriffs receive their salaries. Medical referees must render an account of their expenses and fees to the county solicitor who audits and approves them before the accounts can be paid by the treasurer. The solicitor submits his expense account to a justice of the superior court for approval before payment by the treasurer.

Two auditors are appointed annually by the superior court. Once every three months they audit the accounts of the county commissioners, superintendent of the county farm, and county treasurer. This is a postaudit. Equally as often the auditors are required to audit unpaid bills and bills for commissioners' services and expenses. This part of their work is a matter of preaudit. Other preauditing includes the examination of the solicitor's expenses by the superior court, the examination of the bills of the sheriff and jailer by the commissioners, and the review of the expenses of the medical referees by the solicitors.

The annual reports of county officers are combined and published in a manner similar to town reports.

> The sheriff, the jailer, the physician, the clerk of court, the solicitor, the treasurer, the county commissioners and the superintendent of the county farm of each county shall make up their several reports to the close of December thirty-first, annually, and the same shall be printed together in pamphlet form before or during the month of February following. [38]

The commissioners must forward one copy of the county report to the town clerk of each town in the county, and 20 copies to the secretary of state. The secretary of state has these reports bound in 20 volumes, each of which contains the reports of all 10 counties. One volume is sent to each county and the remainder are deposited in the state library.

Furthermore, county commissioners are required to report annually to the state tax commission a statement of all receipts and payments and a statement of the financial condition of the county on December 31. The form for this report is prescribed and furnished by the tax commission.

THE TAX SYSTEM

Three-fourths of the revenue for local units of government in New Hampshire is a matter of property taxation. This leaves only one-fourth of the revenue from all other sources, most of which takes the form of taxes collected locally or collected by the state and returned to towns on some basis of apportionment. The administration of the tax system is largely a function of the town, although the state tax commission is responsible for general supervision. It should be remembered that taxes levied within the respective towns include school, precinct, and county taxes as well as town taxes.

[38] Revised Laws, 1941, Chapter 50, Section 1.

The Property Tax

Constitutional Provisions

Three articles in the New Hampshire Constitution refer to taxation. These will receive brief consideration here in order that the present system of property taxation may be understood in the light of the state's fundamental laws.

Article 12 of the Bill of Rights provides that protection and taxation are reciprocal:

> Every member of the community has a right to be protected by it, in the enjoyment of his life, liberty and property; and he is therefore bound to contribute his share in the expense of such protection, and to yield his personal service when necessary, or an equivalent.

Property valuation has been the major basis for distributing the tax burden. The power and authority to impose and levy taxes are granted the state legislature under Article 5, Form of Government:

> And further, full power and authority are hereby given and granted to the said general court, from time to time . . .; and to impose and levy proportional and reasonable assessments, rates, and taxes, upon all the inhabitants of, and residents within, the said state; and upon all estates within the same; . . .

Article 6 contains the following provision:

> The public charges of government, or any part thereof, may be raised by taxation upon polls, estates and other classes of property, including franchises and property where passing by will or inheritance; and there shall be a valuation of the estates within the state taken anew once in every five years, at least, and as much oftener as the general court shall order.

Since the adoption of the constitution in 1793 there has been only one significant amendment to articles concerned with taxation. Until 1903 the objects of taxation were restricted to polls and estates exclusively. In that year "other classes of property, including franchises and property when passing by will or inheritance," were added to polls and estates.

Not until 1912 was there any effort to lift the restriction imposed by the words "proportional and reasonable assessments." The constitutional convention of 1912 failed to adopt a resolution to abolish the word "proportional" but passed another resolution which would authorize the legislature to impose and levy a progressive income and inheritance tax. This resolution, however, was rejected by the people. In each subsequent convention, 1918, 1930, and 1938, resolutions to eliminate the word "proportional" were adopted but failed to be ratified by popular vote.

Thus, the revenue system in New Hampshire is restricted by these few articles of the constitution. The general court has power to determine what classes of property shall be taxed, within the limitations of the constitution, but such taxes must be levied in accordance with the rule of proportionality.

Classes of Taxable Property

Not later than July 1 selectmen are required to report to the state tax commission a summary of the town inventory of all taxable property. The commission in turn tabulates these values and includes them in its annual reports. Table 9, taken from these reports, shows in a condensed form the groups of taxable items with their total inventoried valuations and the percentage distribution of each group by five-year periods from 1914 to 1939. The purpose of selecting this period is to bring the information near to date and to eliminate earlier years prior to the creation of the state tax commission whose efforts toward equalization of assessments were not effective until sometime after 1911. Moreover, in 1913 the state legislature fixed a definite rate for taxing polls at $2.00 per head, thus eliminating polls from the property list in which they were formerly taxed at property rates on an arbitrary valuation of $100 per head.

TABLE 9. DISTRIBUTION OF NEW HAMPSHIRE CITY AND TOWN INVENTORIES OF TAXABLE PROPERTY AS OF APRIL 1, BY FIVE-YEAR PERIODS, 1914 TO 1939*

Class of property	1914	1919	1924	1929	1934	1939
	Valuations in thousands of dollars					
Real estate						
Lands and buildings	275,312	309,033	392,683	454,520	413,328	411,568
Mills, factories, and machinery	44,272	58,623	91,472	81,484	51,723	40,833
Electric utilities					45,443	49,546
Other real estate	1,428	1,438	3,909	5,286	3,573	3,894
Personal property						
Stock in trade	32,956	54,698	78,956	66,452	39,345	33,708
Livestock	12,377	14,906	10,486	9,346	5,328	6,674
Wood and lumber	4,137	7,416	6,501	3,999	1,434	2,280
Gas pumps and tanks			343	926	815	864
Portable property	4,750	10,633	1,073	964	777	746
Intangibles	15,646	13,111				
All taxable property	390,878	469,858	585,423	622,977	561,766	550,113
	Percentage distribution of valuations					
Real estate						
Lands and buildings	70.4	65.8	67.1	73.0	73.6	74.8
Mills, factories, and machinery	11.3	12.5	15.6	13.1	9.2	7.5
Electric utilities					8.1	9.0
Other real estate	.4	.3	.6	.8	.6	.7
Personal property						
Stock in trade	8.4	11.6	13.5	10.7	7.0	6.1
Livestock	3.2	3.2	1.8	1.5	.9	1.2
Wood and lumber	1.1	1.6	1.1	.6	.3	.4
Gas pumps and tanks			.1	.1	.2	.2
Portable property	1.2	2.2	.2	.2	.1	.1
Intangible property	4.0	2.8				
Total per cent	100.0	100.0	100.0	100.0	100.0	100.0

* Annual reports of the state tax commission.

The total valuation of the inventories reached a peak in 1930 at more than 625 millions. This is 60 percent greater than the 1914 figure. In general, since 1930, there has been a gradual decline to approximately the 1921 and 1922 level, or about 40 percent above the 1914 total valuation. Much of the increase during the earlier years is due to better assessments. Short- and long-time fluctuations in total valuation are due to one or more of many causes. Business conditions, livestock cycles, and the like have less effect than might be expected, because of the tendency among selectmen and assessors to copy the assessment roll from year to year. The amount of new construction and the depletion of existing property definitely affect taxable wealth.

Of greater importance are the changes in the kinds of property subject to local assessment. It must be remembered that the power to determine what classes of property shall appear on the assessment roll and what exemptions shall be granted is vested in the state legislature. A few such changes have been made in the public laws during the period in question. Probably the most significant change occurred in 1923, when intangible personal property was removed from the general property list and taxed by a special method administered by the state tax commission. Motor vehicles appeared on the tax list under the heading "other vehicles" until 1919, when the state legislature removed them and substituted the registration permit fee. On the other hand, and of much less significance, gas pumps and tanks were added to the property list in 1923 and specified kinds of portable machinery were added in 1933. Fur-bearing animals kept for commercial purposes were added in 1915, and domestic rabbits in 1937.

Real property has consistently represented more than three-fourths of the total inventory valuation; since 1921 it has been more than 80 percent of the total and has exceeded 90 percent since 1932. In 1939 land and buildings alone accounted for 74.8 percent of local taxable wealth and 81 percent of taxable real estate. This class of real estate declined somewhat in relative importance in the early thirties, largely owing to a separation of electric utilities into a class by itself, a distinction first made in 1930. The abandonment of submarginal farm lands has lowered the assessed valuation of many rural towns, and floods and the hurricane of 1938 have also had their effects.

The inventory value of mills, factories, and machinery reached its peak in 1923 at 92 millions, and has since gradually declined to about 41 millions in 1939. Much of this decline is due to the fact that many large textile plants have been closed as a result of the depression. Stock in trade has been similarly affected by the depression, having declined from a maximum valuation of 79 millions in 1923 to less than 34 millions in 1939.

The total valuation of livestock has fluctuated from over three percent of the total property valuation in years prior to 1920 to less than one percent in 1934. These variations are due to changes in the number of livestock as well as changes in value per head. In 1939 there were only about one-fourth as many horses as in 1914, but about five times as much poultry. The assessed value per head

changed less than 18 percent in either case. The number of cows dropped from 86,438 head in 1914 to 69,617 head in 1939, a decline of approximately 20 percent, whereas the value per head was $10 greater in the latter year. Sheep and hogs reached a maximum valuation in 1919, but have since declined to less than one-fourth of that value. The number in each case has shrunk to considerably less than one-half.

Appendix 6 contains greater detail concerning the kinds of property subject to local taxation and concerning the exemptions for each class as permitted by the statutes.

Appraisal and Equalization

In general, the appraisal or assessment of property for purposes of taxation is a function of the town. The state tax commission, however, is responsible for general supervision over the administration of the assessment and taxation laws of the state and over all assessing officers. Furthermore, the commission is required to appraise the property of railroads and public utilities, except the buildings of telephone and telegraph companies. The taxation of property appraised by the state is covered in some detail later. All other taxable property is appraised and taxed locally. All locally assessed real estate is taxed where it is located regardless of the owner's residence.

The town "inventory" is the classified list of all locally taxable property with values attached. The selectmen of each town (and assessors of cities) are required during the month of April to compile such a list after taking an invoice of all the estates existing on April 1 which are subject to taxation as determined by the general court. [39] Accordingly, before March 20 of each year, selectmen distribute inventory blanks to all persons taxable for real or personal estate. These blanks call for a description of all real estate, the amount of personal taxable property, and a list of the shares of stock in railroads operating within the state. In addition to giving a brief description of real estate, all owners are required to report any additions or alterations since April 1 of the previous year. These invoices must be returned to the selectmen by April 15. Upon the return of such inventories, the selectmen place a valuation upon the property.

The selectmen, not later than the second Monday of April, post notices of the times and places where they will receive inventories from the public and hear grievances. If the complainant fails to get satisfactory adjustment of his assessment at the hands of the selectmen he has the privilege of filing his complaint with the state tax commission. This body has power to order, or make, a reassessment.

Statutes require that "The selectmen shall appraise all taxable property at its full and true value in money as they would appraise the same in payment of a just debt due from a solvent debtor, and shall receive and consider all evidence that may be submitted to them relative to the value of property the value of which cannot be determined by personal examination." [40] The selectmen's usual interpre-

[39] Revised Laws, 1941, Chapter 75, Section 1.
[40] Revised Laws, 1941, Chapter 76, Section 1.

tation of "full and true value" is that price arrived at between a willing buyer and a willing seller. The interpretation of full value by the courts is "the market value or the price which the property will bring in a fair market, after reasonable efforts have been made to find the purchaser who will give the highest price for it." [41]

A great deal of reassessment was necessitated by the hurricane of September, 1938, when considerable forest land lost much of its former value. Selectmen had to reappraise this timber land in the spring and summer of 1939. Usually a new valuation was reached by the conference table method after an inspection of the property. Little but commendation can be extended selectmen for their method of dealing with this group of unfortunates. Furthermore, selectmen are increasingly using the conference table method for appraising wealthy estates and they claim excellent results. The old idea of "soak the nonresident and the rich" is rapidly disappearing. Only one instance was observed during the survey that would indicate a tendency toward this type of unfairness.

After assessments have been corrected, selectmen are required to compile a complete record of original invoices. This is left with the town clerk before July 1 and becomes a part of the official records of the town.

Before July 1 selectmen are required to submit to the state tax commission, on a form provided, a correct summary of the town inventory of taxable property with assessed values. This must be accompanied by a "statement of appropriations and taxes assessed," which is an itemized list of town appropriations and taxes to be levied for state, county, school district, and precinct purposes. Estimates of other income are deducted so that the resulting figure is the actual amount of taxes to be levied against property. When the state tax commission approves the inventory, the taxes to be assessed, and the tax rate, the selectmen proceed to extend the taxes on the assessment roll and issue their warrant to the tax collector on or before July 1.

There is no active "equalization" in New Hampshire in the ordinary sense of the term. Among the duties of the state tax commission as prescribed by law is the following paragraph:

> **Equalization.** In the year 1942, and every second year thereafter, to equalize the valuation of the property in the several towns and cities in the state by adding to or deducting from the aggregate valuations of the property in towns and cities such sums as will bring said valuations to the true and market value of said property, so that any public taxes that may be apportioned among them shall be equal and just as between them, and to report to the legislature at each biennial session that portion of the state tax payable from each town, city and unincorporated place on the basis of such equalized valuation. [42]

In addition to reassessing individual properties upon receipt of complaints, the commission has been active in reassessing the real

[41] New Hampshire Reports, Volume 67, page 514.

[42] Revised Laws, 1941, Chapter 82, Section 11.

estate of entire towns when it seemed clear that the property was not fairly assessed. The purpose is to bring about "full value" assessments and thereby equalize the state and county tax burden among the towns. The commission does not compute a correction factor for adjusting local valuations to full value. The county commissioners also have equalization powers.

The state tax commission reports that at the time of its creation in 1911 selectmen intentionally assessed real estate property at an amount far below its actual market value. The purpose was to reduce the amount of direct state tax apportioned to each town in proportion to its equalized valuation in relation to the total equalized valuation of the state. Much of the increase in town inventories during the years immediately following 1911 was undoubtedly due to more equitable assessments, and these have resulted largely from the activities of the state tax commission. The commission reports that it has assessed whole towns at the rate of 10 per year from 1930 to 1935, and in some previous years they exceeded this figure. In one instance the commission claims to have lowered a town tax rate from $4.12 to $2.53 as a result of raising the assessment values.

It is not a part of this project to measure accurately the amount of error in appraisals of individual estates, or the differences in assessment levels among towns. However, as a matter of interest and in order to become acquainted with the assessment problems in general, one or more officials in each town were questioned in regard to this matter. Approximately half of these towns have been reassessed by the commission since 1911 in entirety or in part. Three of these reassessments were for woodland only. In many instances the selectmen stated that the commission changed the assessment on many individual estates, but that the total valuation was changed only slightly.

Officials were asked at what percent of full value they considered the real estate assessed. Their response usually indicated that they had full knowledge of statutory requirements and understood the effect of appraisal on tax rates. Individual estimates ranged from 50 to 110 percent in different towns, and ranged from 60 to 100 percent among officials within a given town. When several officials were questioned collectively, usually the board of selectmen, the estimate agreed on was in every instance 75 percent or more of full value. On the basis of the estimate obtained, nearly one-half of the rural towns are assessing real estate at less than full value, and the appraisals in one out of every six towns are less than 75 percent of full value. Only one out of three boards of selectmen attempt to assess at exactly full value. In two instances it was reported that real estate was assessed at more than full value in order to retain a low tax rate as an encouragement to prospective residents. It was quite commonly admitted that woodlands are generally assessed at more nearly their true value than are other types of real estate.

The lack of uniformity of assessments within the town is undoubtedly a more serious problem than equalization of assessments among the towns. In 1939 the state direct tax was discontinued, thus

leaving only one unit, the county, to spread a property tax over an area larger than a town.

The term "equalized valuation" as used in New Hampshire is another matter. For those years when the state legislature is in session the tax commission computes an "equalized valuation" for each town and city. This is accomplished by adding to the locally assessed valuation of each town and city the income from interest and dividends upon which the interest and dividends tax is levied, the par value of national bank stock and insurance stock owned by the residents, savings banks deposits, and the value of railroad property including stock, right of way, and buildings. This total equalized valuation remains unchanged for two years at a time. It is the base for apportioning the county tax (and the direct state tax until 1939) among towns and cities, and for computing state aid for schools. Nevertheless, property taxes collected within the town are levied against the locally assessed property.

The local inventory was 84.2 percent of the total equalized valuation for the tax year 1940 (Table 10). About 10 percent of the total equalized valuation, or two-thirds of the amount other than local inventory, is represented by deposits in savings banks. The equalized valuation was 19 percent greater than the local inventory. This is the smallest addition to local inventory since the procedure started in 1926, other years ranging between 22 and 27 percent.

Table 10. The Items Which Make Up the New Hampshire "Equalized Valuation," with Dollar Values and Percentages, Tax Years 1940 and 1941*

Items	Dollar values	Percent of total
Local inventory	$552,309,472	84.2
Deposits in savings banks	66,163,735	10.1
Railroad property	9,072,759	1.4
Income from interest and dividends	18,584,455	2.8
National bank stock	5,376,181	.8
Insurance stock	4,361,870	.7
Equalized valuation	$655,868,472	100.0

* Annual report of the state tax commission, 1940.

The equalized valuation is 21 percent greater than the local inventory in the case of cities (Table 11). In the case of seven urban towns, and for the remaining towns, it is 17 percent greater. The difference as shown here is less than would be expected because in many rural towns the people have very little in the nature of savings bank deposits or of the items other than local inventory which make up equalized valuation. However, equalized valuation does tend to equalize the burden of county taxes among the towns and cities by placing a heavier tax on units which have relatively large amounts of the specified types of wealth not included in the local inventory.

TABLE 11. COMPARISON OF EQUALIZED VALUATION AND LOCAL INVENTORY BY CITIES, URBAN TOWNS, AND OTHER TOWNS OF NEW HAMPSHIRE, TAX YEARS 1940 AND 1941*

Towns and cities	Local inventory	Equalized valuation	Equalized valuation as percent of inventory
Eleven cities	$263,952,333	$318,399,176	120.6
Seven urban towns	47,586,924	55,856,098	117.4
All other towns	240,770,215	281,613,198	117.0
The state	$552,309,472	$655,868,472	118.8

* Annual report of the state tax commission, 1940.

Collection and Delinquency

On or before July 1 the selectmen deliver to the town tax collector a list of all taxes assessed locally. This list is accompanied by a warrant requiring the collector to collect the taxes as listed. On or before September 1, or within thirty days of receipt of the list, the collector must send each person taxed a bill of his taxes.[43] Taxes are due 14 days after receipt of bill, but may be paid at any time without penalty until after December 1.

The collector buys his own record books and they are his personal property. The ordinary expenses of his office, such as printing, stationery, and postage, are paid by the town. On the first Saturday of each month the collector may pay to the treasurer all money collected up to that time. Whenever, as the result of an audit, the state tax commission or its agents find the books of a collector to be irregular, the commission can discharge the collector and require the selectmen to appoint another.[44]

The greatest inflow of tax money occurs in late November since there is no penalty for late payment until after December 1. Most towns find that available funds are inadequate to meet current expenses, particularly during the summer months. To cope with the situation the town meeting has power to authorize selectmen to borrow money in anticipation of taxes. The town meeting has further power to vote that a discount be allowed for early payment of taxes. The purpose of these discounts is to induce the public to pay taxes early and thereby eliminate the necessity for borrowing and the accompanying interest expense. The collector is required to comply with the action taken by the voters.

Thirteen of the 116 towns surveyed were in such a position that short-time borrowing was unnecessary. None of these granted any discounts for early payment of taxes. Of the remaining 103 towns, 60 had voted to grant a discount in one form or another. All discounts are expressed as a certain percent of the tax bill with the con-

[43] If selectmen are unable to submit their tax list by July 1, they may receive an extension of time upon application to the state tax commission.

[44] Revised Laws, 1941, Chapter 59, Section 34.

dition that the tax be paid before a given date. To facilitate comparison these discount rates were calculated on an annual basis; for instance, a discount of three percent for payment by August 1 (four months before December 1) is the equivalent of nine percent per year. On this basis discount rates were found to range from an annual rate of 4.2 percent to 24 percent. On the other hand, the annual interest rate on temporary loans in anticipation of taxes ranged from 0.45 percent to 6.0 percent. In only five instances was the annual discount rate as low as or lower than the interest rate paid on loans. In all of the remaining 55 towns the discount rate exceeded the interest rate. When discount rates exceed the interest rate, they currently reduce the number of dollars derived from taxes, and eventually, though not significantly, increase the tax levy.

Real estate is held for all taxes assessed against the owner, including his poll tax and that of his wife. The lien on real estate is taken on July 1 of the year of levy and continues until October 1 of the following year. Furthermore, the statutes vest the tax collector with the powers of a constable ". . . in the service of civil process, which shall continue until all the taxes in his list are collected."[45] Accordingly, collectors are required to sell real estate, on which the taxes have become delinquent, at any time between December 1 of the year of levy and expiration of the lien on the following October 1, provided, however, that four weeks expire between the dates of advertisement and sale. December 2 is the first day of delinquency, and hence it is the first day on which a tax sale can be posted (advertised). Therefore the earliest date on which real estate can be sold legally is December 31, since 28 days must expire after posting.

The penalty for late payment of taxes is 10 percent interest computed on a yearly basis from December 1 to the day of payment. If payment is made after posting, the taxpayer must also pay the costs of advertising. After sale, any delinquent taxpayer may redeem his property by paying the buyer the amount for which the lien was sold plus costs of selling and interest at the rate of 12 percent per year on the entire amount from the day of sale. Two years from the day of sale the collector is required to take a collector's tax deed for the town of all real estate not then redeemed.[46]

The tax collector is required to forward to the county register of deeds a copy of the advertisement and of the sale, and a notice of each redemption. The register records all these facts as he receives them. A recording fee of 25 cents is charged for each parcel advertised, for each parcel sold, and for each redemption. This is paid by the collector and added to the costs to be collected from the delinquent.

The tax collector's problems in connection with delinquency are detailed and technical, but important. Tax collectors' deeds carry good title only when the delinquency procedure is administered in exact obeyance of the law. The records of tax sales at the registers of deeds reveal many irregularities in reporting by tax collectors. For

[45] Revised Laws, 1941, Chapter 80, Section 3.
[46] Revised Laws, 1941, Chapter 80, Section 33.

a number of years the state tax commission has employed the services of a field agent who works among tax collectors in the capacity of a field man. He has eliminated many of the irregular and illegal procedures formerly evident in the collection of taxes. An added result is the fact that tax deeds are now more generally accepted as the equivalent of a warranteed deed.

Since 1931, the state legislature at each biennial session temporarily extended the lien on real estate from July 1 to October 1, and in 1939 the legislature made October 1 the permanent lien date. The purpose has been to make it easier for the burdened taxpayer. October 1 is later than the last possible date, September 14, when taxes become due for the current year.

It is the tax collector (not the town meeting) who usually determines the date of the sale. Some collectors have consistently held their tax sale as soon as possible after the last day when taxes are due without penalty or during late January in order to "clean up their books" and show no uncollected taxes at the end of the fiscal year, January 31. This group believes there is no gain either to the town or to the delinquent taxpayer from a delayed sale. On the other hand, many collectors have felt that the sale should be held as late as the law permits in order to make it easier for the taxpayer, and, accordingly, held their respective tax sales in late June until the legislature extended the lien date to October 1. Conformably with their theory, a large proportion of this group of collectors deferred the tax sale to late September, at which time tax sales are now being scheduled in nearly two-thirds of all rural towns.

Based on the tax records of the county registers of deeds, delinquency is a lesser problem among those towns in which the tax sale is held before the end of the fiscal year, January 31. In this group of towns the percent of taxes uncollected is much less at this date than in the case of towns in which the sale is delayed. In other words, the tax sale is an effective weapon against chronic delinquency. Furthermore, these variations in the percent of taxes uncollected on January 31 are apparently not attributable to differences in tax rates, or relative tax burdens, inasmuch as the average tax rate (assumed to represent the relative tax burdens) is actually higher among those towns in which the tax sale is held at an early date, that is, before January 31. This group of towns shows a much smaller percentage of uncollected taxes as previously stated.

For a supporting account of the preceding statement and for supplementary data concerning tax delinquency consult Appendix 7.

From 1929 through 1932, in 92 percent of all the towns in the state, only 14 percent of all the tax liens were sold to private buyers at collectors' tax sales.[47] In 1938 only eight percent of the liens of 89 rural towns were purchased by private buyers, and these transactions were limited to 39 towns. Eighty-eight private buyers bought the tax liens on 180 separate properties owned by 153 delinquents. The total amount paid by these buyers totaled $7,145, or 8.7 percent of all

[47] New Hampshire Experiment Station Bulletin 290.

tax sales in the 89 towns. Obviously, the practice of purchase of tax liens by private individuals is disappearing, and with it many instances of unfair burdens imposed upon delinquents. When the town becomes the purchaser of a tax lien, the selectmen have power to abate the costs for good reason, and if the town later acquires title to the property by tax deed there is generally an opportunity for the delinquent to repurchase his property on a rental purchase plan. Towns are showing greater clemency toward the delinquent. According to a statement by the tax commission, more than three-fourths of the towns voted in 1933 to permit delinquents to retain their homes on a partial-payment plan. In some instances, selectmen considered it better economy to allow the unfortunate to retain their homes than to support them elsewhere as a town charge. However, the commission encourages collectors to administer the tax procedure in exact conformity with the law in order that clear title may be had before being lenient with the delinquent. Leniency in the collection of taxes may be justifiable but should be preceded by the collection procedures necessary to provide good title, since these procedures are consistent with sound practice.

By way of summary, a calendar for the collection of taxes follows:

1940		
July	1	Collector receives tax warrant from selectmen. Lien taken on real estate.
September	1	Last day for collector to mail tax bills. Taxes are due 14 days after receipt of bill.
December	1	Last day for receiving taxes without penalty.
December	2	First day on which real estate can be advertised for delinquent taxes.
December	31	First day on which a tax sale can be held.
1941		
January	31	End of town fiscal year. Uncollected taxes as of this date are reported in town report.
September	2	Last day on which property can be advertised before lien expires.
October	1	Tax lien expires. Last day for tax sale.
1943		
October	1	Last day on which property sold for taxes can be redeemed. (Tax deed is taken two years from the date of sale.)

Tax Rates

The amount of property taxes to be levied by cities and towns is the difference between the appropriations, or estimated expenditures, and the estimated receipts from other sources, as voted by counties, towns, and cities, school districts and precincts. The tax rate is the amount of property taxes divided by the town inventory multiplied by 100. It is sometimes expressed as a percentage but more often as so many dollars per $100 of assessed valuation. The "state average rate" is a weighted average, or the rate which would result from spreading all property taxes uniformly over the taxable wealth of all towns and cities. It is computed by the state tax commission and is used by the state in levying certain taxes.

The state average tax rate rose from $1.60 in 1913 to an all-time high of $3.48 in 1938. The 1939 rate of $3.45 is no evidence of a decline in local appropriations. If the tobacco tax had not been substituted for the state direct tax, which was $1,200,000 in 1938, the state average rate would have been $3.64 in 1939. Of equal significance with this phenomenal rise in the average tax rate is the fact that some towns still have extremely low tax rates, while others are burdened with extremely high tax rates (Table 12). For all towns in the state, the range between the lowest and highest tax rates has tended to increase since 1913. The smallest difference between the lowest and highest tax rate was $2.03 and occurred in 1915; the greatest difference was $5.38 in 1939. The lowest individual town tax rate during the entire period from 1913 to 1940 was $0.28 in 1918, and the highest rate was $6.45 in 1939. These extreme cases are the results of unusual situations.

Table 12. New Hampshire State Average Tax Rate, and the Range and Difference Between the Lowest and Highest Town and City Tax Rates, by Tax Years 1913 to 1940, 233 Towns*

Tax year	State average tax rate per $100	Town and city tax rates per $100		
		Lowest	Highest	Difference
1913	$1.60	$0.36	$2.67	$2.31
1914	1.65	.43	2.64	2.21
1915	1.68	.67	2.70	2.03
1916	1.73	.60	2.83	2.23
1917	1.78	.60	3.00	2.40
1918	1.86	.28	3.30	3.02
1919	2.28	.72	3.40	2.68
1920	2.37	.74	3.80	3.06
1921	2.48	.81	3.79	2.98
1922	2.44	1.39	3.75	2.36
1923	2.44	1.37	4.12	2.75
1924	2.49	1.25	4.02	2.77
1925	2.69	1.43	4.20	2.77
1926	2.67	1.33	4.30	2.97
1927	2.80	1.34	4.45	3.11
1928	2.81	1.61	4.26	2.65
1929	2.80	1.61	4.15	2.54
1930	2.84	1.26	4.58	3.32
1931	2.90	1.11	4.96	3.85
1932	2.77	.75	4.55	3.80
1933	2.74	.92	4.30	3.38
1934	2.86	.97	4.58	3.61
1935	3.17	1.08	4.80	3.72
1936	3.43	1.22	5.07	3.85
1937	3.41	1.22	4.95	3.73
1938	3.48	1.34	4.85	3.51
1939	3.45	1.07	6.45	5.38
1940	3.41	.99	5.03	4.04
1941	3.35	1.00	5.15	4.15

* Only 233 towns had corporate status during the entire period.

In more recent years there has been less tendency for tax rates to be concentrated around the state average rate, and more tendency toward a wider distribution (Figure 2 and Appendix 4). The year 1918 is the last year in which the majority of towns had tax rates below $2.00. In this same year a large proportion of the towns had tax rates between $1.50 and $2.50, while in 1928 there was less concentration within as narrow a range. In 1938 there was considerably less concentration, the bulk of tax rates being more evenly distributed over a wider range, between $2.50 and $4.50.

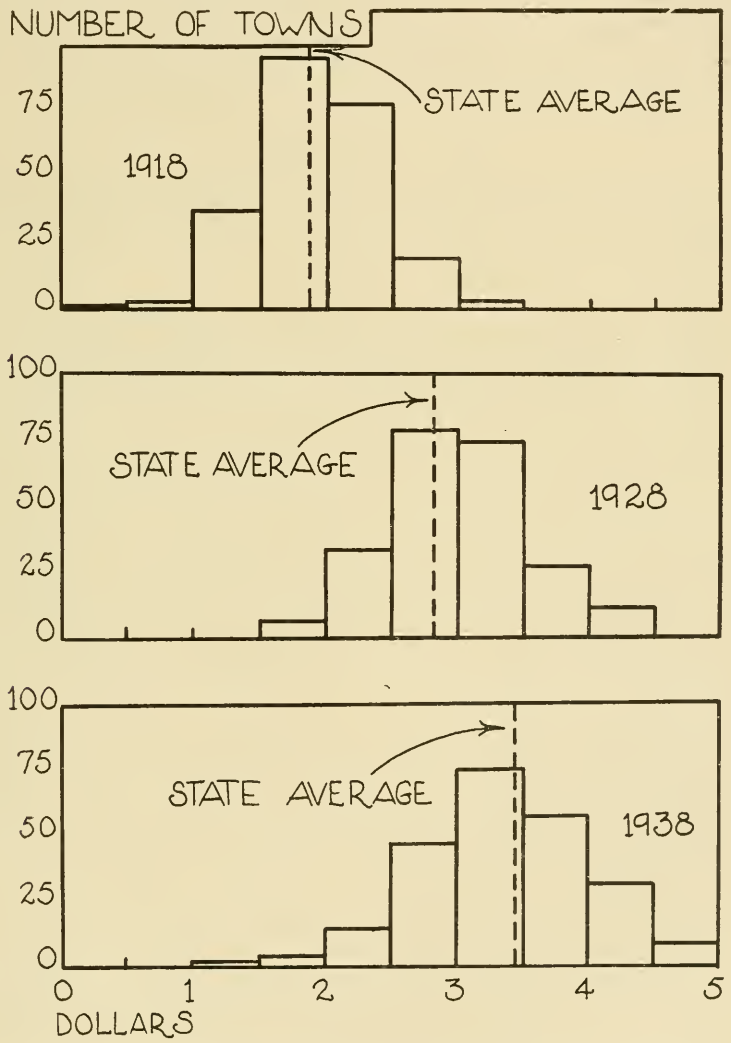

Fig. 2. Frequency distribution of the 233 New Hampshire towns and cities by tax rates, 1918, 1928, and 1938.

In the earlier years there was a tendency among most boards of selectmen to appraise taxable property at considerably less than full value. This makes the tax rate higher than when property is assessed at full value. Therefore, tax rates during the earlier years, due to low appraisals, were higher in relation to expenditures than during the later years when assessments generally were nearer full value. Thus the difference between the property tax burden in 1913 and that in 1938 is greater than the respective tax rates indicate. However, there is no evidence that these differences in assessments between earlier and later years would necessarily affect the tendency toward a broader distribution of tax rates. The fact remains that either the tax system provided for buying public services does not give uniform distribution of the burden among the people or differences in tax burdens can be accounted for by variations in attitudes of the voters, or both.

Other Local Taxes

In addition to the property tax, there are two other types of taxes levied and collected by the town, namely, poll taxes and national bank stock taxes.

Public laws provide that:

> A poll tax of two dollars shall be assessed on every inhabitant of the state from twenty-one to seventy years of age whether a citizen of the United States or an alien, except paupers, insane persons, the widow of any soldier, sailor or marine who served in the army, navy or marine corps in any war in which the United States was engaged and others exempt by special provision of law. [48]

In 1913 the state legislature fixed a definite poll tax of $2 per head, but previous to this time a poll was treated as property and was assessed arbitrarily at $100. In 1919 the poll tax was increased to $3 for local taxes, and then an additional poll tax of $2 was added to be paid to the state treasurer to meet a $70 bonus to world war veterans. In 1925 the poll tax for local purposes was reduced to two dollars, its present rate. No particular use has been assigned this source of revenue, and it is therefore available for general use by towns and cities.

Poll taxes are due upon receipt of a notice from the town tax collector. There is no penalty for late payment as in the case of property taxes, although a few collectors add poll and property taxes before computing the amount of penalty on delinquent taxes. People are required to exhibit a poll tax receipt, or evidence of exemption, when applying to the town clerk for a motor vehicle license. An occasional town permits "delinquent polls" to work on the highway as a means of payment.

In addition to taxes on the real estate of national banks in the town or city where located, national banks are required to pay to the towns or cities where the stockholders reside a tax of one percent on the par value of the capital stock. This is paid directly to the local tax collectors. The revenue so obtained is available for the general

[48] Revised Laws, 1941, Chapter 73, Section 1.

use of towns and cities. Until 1923 this stock was a part of the town inventory against which taxes were assessed proportionately.

State-Collected Revenues Shared with Towns

Taxes collected by the state and returned in whole or in part to municipalities to be used for general municipal purposes include the following:

Interest and dividend tax
Insurance tax
Railroad tax
Savings bank tax
Building and loan association tax

For the fiscal year ended January 31, 1940, the portion of these taxes distributed to towns amounted to $1,148,787, or approximately five percent of the total revenue received by towns and cities. They deserve attention here in view of their position in the revenue system. The explanation of these tax items is exclusive of state aid, which is paid from the general funds of the state treasurer. State aid is treated in a later section under the respective headings for which the aid is granted.

Before the legislative session of 1923, intangible personal property was taxed as property in accordance with the rule of proportionality and was included in town inventories for that purpose. The 1923 legislature enacted an income tax law which removed this class of property from the local assessment rolls and taxed the income therefrom at the state average rate[49] of taxation levied upon other property. In general, the tax base is income from interest and dividends received by persons, corporations, partnerships, and trusts. The laws provide certain exceptions and allow an exemption of $200. This tax is assessed by the state tax commission on January 1 and is payable on October 1. Interest at 10 percent is added after October 15. Although the tax is paid directly to the state treasurer, the tax commission is responsible for its administration. The total revenue, minus the cost of administration, is distributed on December 31 to towns and cities where the owners of the taxable income reside.

All capital stock insurance companies organized and doing business in the state are required to report to the state treasurer on May 1 the amount of their paid-up capital stock. The state treasurer then levies and collects a tax of one percent of the paid-up capital. Three-fourths of the tax so collected is distributed to the towns and cities, in the proportion shares owned by the residents of each town bear to the whole number of shares. The remaining one-fourth is retained by the state and included in its general fund.

The state tax commission is authorized to assess the taxes upon railroads and other public service corporations, except buildings used by telephone and telegraph companies for office purposes which are assessed locally. The rate of taxation is the average rate on other

[49] The state average rate is a weighted average rate of all locally assessed taxes.

property throughout the state. Only the railroad tax is a state-shared revenue, inasmuch as the state retains for its own use the taxes from the property of other public service corporations. The railroad tax is apportioned by the state treasurer in the following manner:

1. One-fourth apportioned among towns according to the share of the capital expended in each town for buildings and right of way.
2. The remainder apportioned to the towns according to the resident ownership of the stock.

The savings bank tax is an excise tax on financial institutions of one-half of one percent of the savings deposits on which they pay interest, after allowing certain specified deductions. The state treasurer has full administration of the levy, collection, and distribution of the tax. The revenue is distributed among the towns according to the amount of taxes obtained from the deposits of the respective residents.

The state treasurer also levies and collects a tax from building and loan associations. This amounts to three-fourths of one percent upon the declared maturing value of its shares and the face value of its paid-up certificates, after deducting such exemptions as are allowed to savings banks. This revenue is paid to the treasurer of the city or town where the association is located.

Taxes collected by the state upon the savings deposits and stock of depositors and stockholders of banking institutions who do not reside in the state, or whose residence is unknown, or who reside in an unincorporated place, are known as the literary fund. This amount is turned over to the state department of education which administers its disbursement.

Thus, the state collects taxes from the above sources and shares the receipts with towns and cities. The actual amount of such taxes received from the state by towns and cities, compared with the amount of property taxes collected locally and paid to the state, has been of some interest to local and state tax officials. This interest is largely psychological and is not because the amount of one is dependent on the other. However, the comparison between the amount of taxes received from the state by towns and cities from 1900 to 1941 is shown in Figure 3. This long period is necessary in order to show the relative importance of the state direct tax in earlier years. Taxes received by towns and cities from state collected taxes exceeded the state direct tax from 1900 to 1919 and from 1924 to 1932. In 1919 the state direct tax was $800,000, and in 1920 it increased to $2,200,000 as a result of the general price situation and the special tax for soldiers' bonus. Furthermore, 1920 was the beginning of the period during which the state direct tax consistently exceeded the million dollar mark. It was discontinued in 1939 when the tax on tobacco products was substituted by legislative action.

Money received by towns and cities from state-collected taxes increased from a low of $562,000 in 1900 to an all-time high of $1,627,000 in 1930. It dropped in 1918 as a result of discontinuing liquor licenses, a source of revenue which had previously been shared with towns and cities. Likewise, in 1919, the literary fund was withdrawn

*The state direct tax was discontinued in 1939.

Fig. 3. The amount of the state direct tax and the amount received by towns and cities from state collected taxes, by tax years, 1900 to 1939, New Hampshire.

from distribution among towns and cities and transferred to the state department of education. However, beginning in 1924, local revenue from state-collected taxes assumed greater proportions as a result of the new method of taxing intangibles, the "interest and dividends" tax.

A statistical table comparing the relative importance of the state direct tax with that of revenues from 1900 to 1941 appears in Appendix 8.

LOCAL RECEIPTS AND EXPENDITURES

Local units of government receive money from numerous sources other than from local taxes and state-collected taxes. The previous description of the tax system, therefore, is not complete from the point of view of sources of revenue. Neither does the above descrip-

tion show the relative importance of the various sources of revenue from a dollars and cents point of view, nor does it tell how the money was spent. To complete this description of the fiscal system it seems best to examine a list of receipt items and expenditure items for the various levels of local government. For amounts of receipts and amounts of expenditures it seems best to use state totals inasmuch as variations in receipts and expenditures among the towns will be discussed later.

The law requires local officials to keep uniform accounts in a manner prescribed by the state tax commission. Moreover, by March 1 these local officials are required to make annual reports on forms prescribed and furnished by the commission. These forms contain all receipt and payment items and agree with those prescribed for the uniform accounts. The complete classification of the accounts is known as the "uniform classification."

The annual reports of the local officials are summarized at the office of the state tax commission and published in December of the year in which they are received, as part of the commission's annual report. The subsequent tables, which are the basis of the accompanying discussion, are taken from the 1940 report, the first report in which the commission published the receipts and payments separately for each town and city. The receipts and payments of counties

TABLE 13. THE AMOUNTS AND PERCENTAGE DISTRIBUTION OF TAXES AS SOURCES OF REVENUE TO TOWNS AND CITIES IN NEW HAMPSHIRE, FISCAL YEAR ENDED JANUARY 31, 1940*

Items	Amount of revenue		Per-cent of total
	All towns and cities	Average per town and city	
Local Taxes			
Current: Property tax	$16,271,044	$69,534	63.2
Poll tax	342,458	1,464	1.3
National bank stock tax	54,398	233	.2
Previous years' property and poll taxes	2,991,548	12,784	11.6
Tax sales redeemed	577,859	2,469	2.3
Total local taxes	$20,237,307	$86,484	78.6
State-collected Taxes			
Interest and dividend tax	$ 585,545	$ 2,502	2.3
Insurance tax	367,394	1,570	1.4
Railroad tax	161,166	689	.6
Savings bank tax	33,388	143	.1
Building and loan association tax	1,295	5	
Total state-collected taxes	$ 1,148,788	$ 4,909	4.4
Total Revenue from Taxes	$21,386,095	$ 91,393	83.0
Other Sources of Revenue	4,371,679	18,682	17.0
Grand Total	$25,757,774	$110,075	100.0

* Annual report of the State Tax Commission, 1940.

are also published separately for each county, but for school districts the amounts are summarized by counties. The receipts and payments of village districts are omitted from the commission's report.

Towns

The accompanying tables which show the amount and distribution of receipt and payment items are state totals for all towns and cities. All money received and all money paid out are included, even though a large proportion of the taxes assessed and collected locally is paid over to other units of government. Thus the revenue from the property tax represents the total amount of taxes levied against property, and collected locally, in the state of New Hampshire.

The amount and distribution of the revenues from local taxes, from state-collected taxes, and the total from other sources for the fiscal year ended January 31, 1940 are shown in Table 13. Local taxes, including those from property, polls, and national bank stock, amounted to more than 20 million dollars and constituted 78.6 percent of the total receipts. Taxes collected by the state and returned to towns and cities constituted only 4.4 percent of total receipts. By far the largest part of these state-collected taxes was derived from two sources, namely, the interest and dividend tax and the savings bank tax. Only 17.0 percent of the total receipts was from all other sources.

TABLE 14. THE AMOUNTS AND PERCENTAGE DISTRIBUTION OF NONTAX REVENUES, NEW HAMPSHIRE TOWNS AND CITIES, FISCAL YEAR ENDED JANUARY 31, 1940*

Receipt items	Amount of receipts		Percent of total
	All towns and cities	Average per town and city	
From Local Sources Except Taxes			
Departments and utilities	$1,320,318	$ 5,642	30.2
Motor vehicle fees	576,223	2,463	13.2
Interest	128,918	551	2.9
Income from trust funds	120,221	514	2.8
Dog licenses	68,375	292	1.6
Rent from town property	62,986	269	1.4
Business licenses and permits	51,076	218	1.2
Fines and forfeits	36,933	158	.8
Miscellaneous	3,487	15	.1
Subtotal	$2,368,537	$10,122	54.2
Receipts Other Than Current			
Bonds and notes	$1,455,554	$ 6,220	33.3
Federal grants	286,704	1,225	6.6
Insurance, refunds, and gifts	128,891	551	2.9
Sale of tax-deeded property	114,968	491	2.6
Sinking fund withdrawals	17,025	73	.4
Subtotal	$2,003,142	$ 8,560	45.8
Total	$4,371,679	$18,682	100.0

* Annual report of the State Tax Commission, 1940.

The amounts and distribution of these other sources are shown in Table 14. The three most important items in this list are, in order of importance, long-term borrowing (bonds and notes), income from departments and utilities, and motor vehicle fees.

Some of these sources of revenue are not common to rural towns, especially business licenses and permits, fines and forfeits by the municipal court, and income from departments and municipally owned utilities. Many towns receive substantial revenue from rent of town halls. In some instances this has exceeded the costs of town hall maintenance. A relatively small amount of interest income accrues to towns and cities from money deposited in banks, but of much greater importance is the interest received from delinquent taxes, amounting to more than $120,000. Income from trust funds is used in accordance with the objects designated by the donors, but occasionally these are for general town purposes. Grants from the United States Government are largely for work relief projects.

Taxes collected by towns and cities and paid over to other units of government amounted to more than 11 million dollars and constituted 43.4 percent of all town payments (Table 15). Considerably more than half of these payments go to school districts and more than a third to counties. Thus, only 56.6 percent of all payments are for town and city purposes.

The preceding discussion and tables do not show the amount of revenue available for town and city purposes. The amount of taxes levied and collected by towns and cities for other units of government must be deducted from the total tax collections. The difference between the total taxes collected locally and the taxes paid to other governmental units amounts to approximately 9.2 millions, or nearly two-thirds of the total amount available for expenditure in

Table 15. Taxes Paid to Other Units of Government by New Hampshire Towns and Cities and the Amount Spent Locally, with Percentages, Fiscal Year Ended January 31, 1940*

Payment items	Amount of payments		Percent of total
	All towns and cities	Average per town and city	
Paid by Towns and Cities to Other Units of Government			
State taxes†	$ 53,640	$ 229	0.2
County taxes	4,026,607	17,208	15.8
School taxes	6,710,726	28,678	26.3
Precinct taxes	270,484	1,156	1.1
Total	$11,061,457	$ 47,271	43.4
Town charges	14,412,059	61,590	56.6
Total of all payments	$25,473,516	$108,861	100.0

* Annual report of the State Tax Commission, 1940.

† Not a current levy.

TABLE 16. SOURCES OF RECEIPTS AVAILABLE FOR TOWN AND CITY PURPOSES, FISCAL YEAR ENDED JANUARY 31, 1940

Sources of receipts	Amount of receipts	Percent of total
Total taxes collected locally	$20,237,307	
Less taxes paid to other units	11,061,457	
Local taxes available for towns and cities	$ 9,175,850	62.4
Local receipts except taxes	4,371,679	29.8
Received from state-collected taxes	1,148,788	7.8
Total receipts available for town and city purposes	$14,696,317	100.0

towns and cities (Table 16). In addition to the local taxes, towns and cities have money received from state-collected taxes and also from local revenues other than taxes, such as motor vehicle fees, and dog licenses, the details of which have been shown in previous tables. In all, towns and cities had about 14.7 million dollars for their own purposes.

The amount and percentage distribution of payments for town and city purposes are shown in Table 17. Highway expenditures account for 26.6 percent of the total. This is approximately the equivalent of the combined expenditures for protection, welfare, and health. The expenditures for highways are exclusive of state aid money, which was also omitted from receipts. They represent the net cost to the town. Payments for general government include officers' salaries and expenses, election and registration expenses, municipal court expenses, and costs of maintaining buildings. Protection consists mostly of expenditures for fire and police departments. Of much less importance, but included in this group, are expenditures for moth extermination, for control of white pine blister rust, and for dog damage.

TABLE 17. THE AMOUNTS AND PERCENTAGE DISTRIBUTION OF EXPENDITURES FOR TOWN AND CITY PURPOSES, FISCAL YEAR ENDED JANUARY 31, 1940*

Expenditure items	All towns and cities	Average per town and city	Percent of total
Highways	$ 3,673,209	$15,698	26.6
Protection	1,693,517	7,237	12.3
Welfare	1,621,784	6,931	11.7
Indebtedness	1,443,626	6,169	10.5
Improvements	1,627,728	6,956	11.8
General government	1,102,253	4,710	8.0
Public service enterprises	676,577	2,891	4.9
Health	640,920	2,739	4.6
Interest	450,924	1,927	3.3
All other†	863,903	3,692	6.3
Total expenditures	$13,794,441	$58,950	100.0

* Annual report of the State Tax Commission, 1940.

† Excludes $617,618, taxes bought by town, which is included in Table 15 as part of town charges.

Health expenses are largely concerned with expenses of the health officer or department and with hospital appropriations. Sewer maintenance and fees for vital statistics are also included under health. Welfare is a matter of caring for the town poor and old-age assistance. Expenses for water, electric utilities, and cemeteries comprise the expenditures for public service enterprises. New capital investments in waterworks, electric lines, sidewalks, and sewers are grouped under improvements, which also include new equipment and the acquisition and construction of real estate. Interest expense includes all interest paid on temporary and long-term indebtedness. Expenditures for indebtedness include the payments on the principal of long-term notes and bonds and exclude payments on temporary loans in anticipation of taxes. Expenditures summarized as "all other" include many items, some of which are small in amount. The more important of these are for libraries, patriotic purposes, recreation, parks and playgrounds, and legal expenses.

TABLE 18. AMOUNTS AND PERCENTAGE DISTRIBUTION OF SCHOOL DISTRICT RECEIPTS AND EXPENDITURES, YEAR ENDED JUNE 30, 1940*

Items	Amounts		Per-cent of total
	All districts	Average per district	
Receipts			
Local taxation	$6,566,165	$27,246	80.3
Borrowing	419,200	1,739	5.1
State aid	340,546	1,413	4.2
Tuitions	288,075	1,195	3.5
Federal grants	243,155	1,009	3.0
Dog licenses	57,194	237	.7
Federal aid	48,156	200	.6
Income from trust funds	43,508	181	.5
Sale of property	15,669	65	.2
All other	154,337	640	1.9
Total receipts	$8,176,005	$33,925	100.0
Expenditures			
Teachers' salaries	$3,777,032	$15,672	44.1
Capital outlay	1,323,223	5,491	15.4
Plant operation and maintenance	828,706	3,439	9.7
Debt service	743,265	3,084	8.7
Transportation	530,942	2,203	6.2
Tuitions	428,269	1,777	5.0
Instruction (other than teachers)	297,848	1,236	3.5
Administration	237,623	986	2.8
Tax for state-wide supervision	158,430	657	1.8
Medical inspection	100,308	416	1.2
Special activities	80,326	333	.9
Insurance and other fixed charges	64,579	268	.7
Total expenditures	$8,570,551	$35,562	100.0

* Annual report of the State Tax Commission, 1940.

School Districts

The total receipts of the 241 school districts approached 8.2 million dollars for the fiscal year ended June 30, 1940, or approximately $400,000 less than was expended (Table 18). Nearly three-fourths of this amount came directly from the town treasurer on selectmen's orders in the form of property taxes plus a small amount from dog licenses.

Thirty-seven districts receive relatively small amounts of federal aid for vocational education, and 160 districts receive state aid for elementary schools. In all, state and federal aid account for only 4.3 percent of the total receipts. More than one-half of the school districts usually obtain revenue from other districts in the form of tuition for elementary or secondary instruction, or both. More than $400,000, 5.1 percent of total receipts, represents money borrowed on notes and bonds. Much of this was expended for new school houses in order to take advantage of federal grants for new construction. Such grants constitute 3.0 percent of the receipts.

Teachers' salaries, the largest single expenditure, comprised 44.1 percent of the total expenditures. Administration costs, only 2.8 percent of the total, include salaries of district officers and appointees, miscellaneous administrative expenses, and salaries of the superintendents in excess of that paid by the state. Each district pays to the state $2.00 for each registered pupil as a "tax for state-wide supervision." It is from this fund that the state pays $2,000 toward the salary of each superintendent. Textbooks and scholars' supplies largely account for other costs of instruction. Plant operation and maintenance was 9.7 percent of total expenditures and included fuel, janitor service and supplies, water, light and minor repairs. Inasmuch as the statutes do not require districts to pay for high school transportation, nearly all such costs are for elementary schools either within the district or in other districts. Tuition, however, is largely that paid other districts for secondary education. Expenditures for debt service amount to 8.7 percent of the total and include both interest and principal payments.

Counties

For the fiscal year ended December 31, 1939, counties obtained 87.0 percent of their revenue from cities and towns (Table 19). This is the amount of the tax which the county treasurers include in their warrants to towns and cities for assessment against property. Income from institutions, only 4.6 percent of the total receipts, is that amount received by the superintendent of the county farm. More than four-fifths of these receipts is for farm produce sold, the remainder from boarders at the county farms and a small amount from the jails. Part of the county welfare expenditures for support of poor, old-age assistance, and soldiers' aid is paid in the first instance by the counties which are later reimbursed by the state, towns, and cities, and by individuals. These reimbursements were small in 1939, amounting to only 0.8 percent of the total. Borrowing, 6.6 percent of the total receipts, represents the total amount borrowed during

TABLE 19. AMOUNTS AND PERCENTAGE DISTRIBUTION OF COUNTY RECEIPTS AND EXPENDITURES, YEAR ENDED DECEMBER 31, 1939*

Items		Amounts		Percent of total
		All counties	Per county	
Receipts				
Taxes from towns and cities		$4,173,303	$417,330	87.0
Welfare reimbursements:				
a. State	$ 9,879			
b. Cities and towns	4,545			
c. Other	25,371			
		39,795	3,980	.8
Borrowing		315,000	31,500	6.6
Income from institutions		218,497	21,850	4.6
All other		50,440	5,044	1.0
Total receipts		$4,797,035	$479,704	100.0
Expenditures				
Public welfare:				
Poor not on farm	$1,784,067			
County farm	590,085			
Care of children	306,184			
County hospital	160,725			
Aid to soldiers	141,200			
Administration	112,933			
Old-age assistance	59,708			
Jail	33,304			
Aid to blind	26			
		$3,188,232	$318,823	68.0
Debt service		814,736	81,474	17.4
Superior court		238,447	23,845	5.1
General government		178,052	17,805	3.8
Capital outlay		56,319	5,632	1.2
All other		214,506	21,450	4.5
Total expenditures		$4,690,292	$469,029	100.0

* Annual report of the State Tax Commission, 1940.

the year less the amount paid on temporary loans. Of the $315,000 received from borrowing, $120,000 was from new bond issues, and $195,000 was from long-term notes. The amount received from temporary loans was less than the amount paid.

Of the nearly $5,000,000 of expenditures, more than two-thirds was for public welfare. Inasmuch as public welfare is the major function of the county, much of the expenditures for general government, debt service, and capital outlay can be properly allocated to this function. More than one-half of the welfare expenditures is for the support of poor not on the county farm, a matter of direct relief to the poor who have not gained residence in a town or city. The next most important welfare expenditures are concerned with the county farm and care of children. Expenditures in connection with the jail are not ordinarily thought of as a part of welfare, but are

classified as such in New Hampshire because the jail is generally under the supervision of the superintendent of the county farm and hospital. Expenditures for general government include salaries and expenses of county officers (commissioners, treasurer, auditors, solicitor, and medical referees), and for care and supplies for the court house. Some county expenses are directly assignable to the superior court. These include jury and "state vs. . . ." payrolls, referees, counsel fees, stenographer, clerk of court, and salaries of the sheriff and his deputies. Debt service accounts for 17.4 percent of the total county expenditures and includes all interest payments and payments on principal of long-term notes and bonds. Capital outlay is largely concerned with new construction of, and permanent improvements to, the courthouse, jail, and county farm. Farm Bureau appropriations and miscellaneous expenses make up "all other" expenditures.

FISCAL VARIATIONS

As society becomes more complex, it increases its demands for public services, which in turn require more revenue for their costs and administration. New Hampshire is no exception to increasing demands for public service, as evidenced by its upward trend of expenditures and corresponding local tax rates. The total state revenue increased from $689,000 in 1900 to $21,698,000 in 1941 and total taxes assessed locally against property increased from $3,979,000 in 1900 to $19,333,000 in 1941 (see Appendix 8). State revenue was small in the earlier years relative to local revenues, and it was not until after 1931 that the state revenue was as much as one-half of all the taxes assessed locally. After 1936 they were virtually equal.

The amount of state revenue in New Hampshire may appear small compared with that of the larger states, but its relative burden may be fully as significant. Variations among states are destined to exist in a decentralized government of 48 states, each of which is further subdivided into numerous minor civil divisions. Each state has its own revenue system peculiar to its social, economic, political, and physical circumstances. Considerable variation exists between states with respect to the kinds and amounts of governmental activities. What is more apparent here is the manner in which the revenue system decentralizes responsibility between the state and its subdivisions. Such a decentralization of the cost of services causes an extreme variation in the relative burdens of small governmental units.

The principal unit of local government in New Hampshire is the town, to which has been granted considerable power of home rule. Towns differ in area, in taxable property, in population, and in numerous other ways. Towns also differ in the electorate's attitude toward appropriations and in the efficiency with which their business is administered. Property is the base upon which a large proportion of local revenue is levied. Some towns have large amounts of property in relation to the cost of services, whereas others have little, and kinds and amounts of necessary services are large or small depending largely on the social and economic structure of individual towns. Obviously, all these factors and conditions cause extreme variations in the costs of similar services, or limit the amount of these services, or both.

Let it be repeated here that town officials are responsible for the immediate supervision of the local property tax, and that all governmental units (including the state until 1939) receive money from this source of revenue. Town expenditures, therefore, include payments to other governmental units for their authorized portion of the property tax. Town expenses are another matter. These involve only the expenditure of money for town purposes, and, obviously, exclude payments to other units. Consequently the commonly, but incorrectly, named "town tax rate" expresses a percentage ratio between an inventory of assessed valuation and all the revenue which local units of government levy as a tax on this taxable property (at its location) within the respective towns. It is important, therefore, that an investigator distinguish between town payments (or expenditures) and town expenses.

It is the purpose of this section of Part II to supplement the general subject matter, largely descriptive of the fiscal system, with a summary of an analysis showing the relation of selected factors to the variations in property taxes, payments, and expenses of rural towns. As implied above, two phases of the analysis are apparent and necessarily separable. The first phase is concurred with all expenditures including payments to other governmental units. The second phase examines the relation of these factors to variations in town expenses, in which case only that portion of the property tax used for town purposes is involved. This phase is equally applicable to other governmental units, particularly counties and school districts. In both phases some attention is devoted to the interrelation of the selected factors. See Appendices 9 and 10, respectively, for supporting text, charts, and tables.

An examination of the annual reports of 89 rural towns discloses that in 1938 53.9 percent of town payments were in the form of defrayals to other units of government; 33.1 percent to the school district; 13.4 percent to the county, and 7.4 percent to the state. The average property taxes per town amounted to $23,992, 85.9 percent of the revenue from all sources.

The total payments and property taxes of towns with more than average population and taxable wealth are much greater than of towns which are below average in these respects. On the other hand, the per capita expenditures tend to decline slightly with an increase in population, whereas they tend to vary directly with assessed valuation.

There is a close correlation between population per town and assessed valuation per town, and therefore the ratio between these factors—assessed valuation per capita—varies among the towns within rather narrow limits.

However, the discrepancy is of sufficient magnitude to warrant an inquiry into its general relation to town economy. The amount of total payments and of property taxes remains relatively constant irrespective of the amount of taxable wealth per capita, but payments and taxes per capita are more than 50 percent greater for towns that have $1,200 or more of assessed valuation per capita than for towns with less than $1,000 of taxable wealth per capita.

Small towns are not here characterized as such because of their area but rather because of their small, sparse, and declining population, and a correspondingly small amount of taxable wealth. A comparative analysis of the distribution of expenditures among rural towns shows that the percentage of town payments expended for roads is inversely related to the size of towns, whereas the percentage of total payments paid over to school districts increases with the size of the town. The proportion of payments consumed by state and county taxes had little relation to the size of the town.

Appendix 10 reviews a study of the expenses of 100 rural towns. This inquiry excludes any payments of towns to other units of government, and involves only those payments used to meet the expenses of the town as an operating unit. Likewise, property taxes refer to that portion of the total tax which is levied to meet the expenses of the town.

In general the relationships found in this study parallel those of the previous investigation reviewed in Appendix 9. Towns with little population are also sparsely inhabited, and have experienced a decline in residents. Moreover, they possess a small amount of taxable wealth which, however, is large relative to population; thus, there is a greater amount of assessed valuation per capita for small towns than for the larger towns.

Towns with a population of less than 400 spend less than one-fourth as much as towns with 1,000 or more persons, but the small towns spend about 50 percent more per capita. Likewise, the property tax levy to meet town expenses is high relative to both population and valuation. Also, small towns pay a smaller proportion of the total property taxes to other units and retain a relatively large proportion of the total levy for town purposes.

The population of 18 of the 100 rural towns has declined more than one half since 1880. In this group of towns expenses per capita are relatively high, and tax rates average much higher than in towns which have more nearly maintained their population. This phenomenal decline in population is not confined to towns which were sparsely populated in 1880, a fact which indicates that the decline is the result of natural and economic incidents. However, it is true that towns scantily populated in 1880 generally endured a greater percentage loss of population through subsequent decades.

Again, because there is a high correlation between population and assessed valuation, these rural towns vary within rather narrow limits with respect to assessed valuation per capita. Sorting towns on the basis of this factor, assessed valuation per capita, gives little evidence of consistent relationships except that towns with a small amount of taxable wealth per capita have a higher average town tax rate. Inasmuch as this measure is merely a ratio between population and valuation, it can be altered by a variation in either of its constituents or both. If a high taxable wealth per capita results from a stable valuation in face of a declining resident population, its relation to town expenses and other factors would be quite different from what it would be if the high ratio resulted from a rising valuation in the pressure of a relatively stable population. The cause of the low or high

ratio of valuation to population is as significant as the actual amount of discrepancy, when determining any relative benefits a town might derive as economic gain in fiscal matters.

Forty-six percent of the expenses of the 100 towns was for highways and included money received from the state as state aid and money paid to the state as the towns' share of joint funds. In towns with a population of less than 400, 53.9 percent of the total expenses was for roads, compared with only 36.4 percent for towns with a population of 1,000 or more. Similarly, the expenses of general government declined in relative importance as population was increased. On the contrary, the costs of all other groups of expenses increased in percent of total expenses as population was increased.

Thus, it is a normal situation when the residents of a small town appropriate a small amount of money for public services. But it is equally normal when the expenses and property taxes are high per capita and when a relatively large proportion of the revenue is expended on roads, even though the amount spent per mile is relatively little.

SUMMARY AND CONCLUSIONS

The present section of this publication describes the practices and the administrative controls for obtaining and spending public funds by local units of government in New Hampshire. Those functions concerned with the assessment of property for tax purposes, and the levy and collection of taxes, are reviewed in considerable detail. A more thorough review of the basic services of local government and their state-local relationships are reserved for Part III. These basic services include highways, education, public welfare, public health, and law enforcement. The present section devotes some attention to the effects of selected factors on local expenditures, property taxes and tax rates, and also to the interrelation between these factors.

The appropriations and expenditures of local governmental units have increased more rapidly than has population or taxable wealth. Therefore, inasmuch as the property tax is, and has been, the major source of revenue for local units of government, increased expenditures are evidence of an increased burden upon the owners of taxable property. The weighted average tax rate for all towns and cities increased from $1.65 per $100 in 1914 to an all-time high of $3.48 in 1938. Had the tobacco tax not been substituted for the state direct tax, the trend would have continued through 1939.

In recent years about three-fourths of the revenue for local units of government in New Hampshire has come from the property tax. All of the subdivisions of the state (and the state itself until 1939) receive revenue from the property tax which is administered by officials of the town. In their respective meetings the voters of each county, town, school district, and precinct appropriate money, which, after deducting the estimated income from other sources, is obtained from the property tax. It is the responsibility of town officials to appraise the taxable property, and to levy and collect the property taxes for all local units. All local units of government get the full amount

of their respective levies except the town, which assumes full responsibility for delinquency.

The New Hampshire constitution grants the state legislature authority to determine what classes of property shall be taxed, but such taxes must be levied in accordance with the rule of proportionality. The kinds of property subject to local assessment have been changed from time to time; new items have been added, whereas others, particularly intangible personal property, have been dropped from the assessment rolls and taxed by special methods administered by the state tax commission. Real estate now constitutes more than 90 percent of the taxable property subject to local taxation. The remainder is tangible personal property, most of which consists of stock in trade and farm livestock.

During the last ten years the aggregate assessed valuation of all taxable property subject to local taxation in New Hampshire has averaged approximately $550,000,000. In 1940 the property taxes levied by towns for all local units of government amounted to about $19,000,000. Thus the state average tax rate for 1940 was $3.41 per $100 of assessed valuation. In the same year the tax rates in all towns and cities ranged from $0.99 to $5.03 per $100 of assessed valuation. The highest tax rate recorded since the creation of the state tax commission was $6.45 in 1939, whereas the lowest rate was $0.28 in 1918.

There is no active equalization in New Hampshire in the ordinary use of the term. The state tax commission, which has general supervision over the assessment and taxation laws of the state, has accomplished much by reassessment and by obtaining cooperation from the selectmen. Since the tobacco tax was substituted for the state direct tax in 1939, the county is now the only unit of government which spreads a property tax over an area larger than the town. The county tax, so-called, is a direct property tax and is apportioned among its towns and cities on the basis of "equalized valuation," which is calculated by adding to the assessed valuation of each town certain valuations the tax upon which is levied and collected by the state.

Of the taxes collected locally by all towns and cities, 43.4 percent was paid to other units of local government in 1940. The remainder, 56.6 percent of the taxes collected locally, was available to meet town and city charges. Locally collected taxes constituted 62.4 percent of the town and city revenues. Local revenues other than taxes amounted to 29.8 percent of the total receipts, and the amount received from state collected taxes amounted to 7.8 percent. School districts and counties received 80.3 percent and 87.0 percent, respectively, of their revenue from local taxation.

Many tax collectors in rural towns have extended the tax lien from July 1 to October 1 following the year of levy, an extension of time made permissible by legislative action in 1939. The advantages claimed for such action are not apparent as indicated by the lack of any pronounced relation between the amount of delinquency and the time of tax sale. The tax sale appears to be an effective instrument for obtaining tax money promptly.

On the payments side of the ledger more than one-fourth of the total expenditures of towns and cities in 1940, exclusive of state aid, was expended for highways. This amount is greater than the combined expenditures for any two of the other public services. Concerning school districts, the greatest single expenditure was for teachers' salaries, which amounted to approximately 45 percent of the total. More than two-thirds of the county expenditures was for public welfare, a large part of which was at one time a town responsibility.

As new sources of revenue have developed, the state direct tax has declined in relative importance. In 1900 the state received more than three-fifths of its total revenue from the locally administered property tax. By 1938 this state direct tax amounted to only about six percent of the state's total receipts and was then eliminated in 1939. Furthermore, the state has taken away from towns and cities the assessment of certain types of property, and, accordingly, is fully administering the levy and collection of the respective taxes, which are returned in whole or in part to the municipalities. Thus, there has developed a system of "state-administered, locally shared" taxes, which for the most part are distributed among the towns and cities on the basis of location of the property, or of its owners, and not on the basis of need.

Although the assessment of property for local taxation and the levy and collection of property taxes remains largely in the hands of local officials, the state tax commission has been granted broad supervisory powers over the administration of the state's assessment and tax laws. Fortunately, the statutes, not the constitution, prescribe the mechanics for effecting the local property tax. Thus, the fiscal officers, their duties, and the kinds of property to be assessed and taxed are matters of legislative jurisdiction. The state tax commission, supplemented by the recently created division of municipal accounting, is authorized to approve inventories of taxable property, statements of appropriations, taxes assessed, and the computed tax rate before towns proceed to levy taxes. The municipal accounting division both prescribes and provides the forms for uniform accounts, budgets, and reports. Debt limits are fixed by law at varying levels for all local units of government. Whereas the municipal budget act provides a means for more intelligent planning, the town manager act appears to lack adaptability to small rural towns.

Equality of assessment between individual properties within the town is not a part of this study. Equalization is another matter, and sufficient evidence is offered here that the assessed values of real estate vary among towns with respect to their relation to full value. In view of the fact that equalization is relatively inactive, some injustice among local units is obvious when the counties spread their taxes over their respective towns and cities, and also when the state allocates state aid money among the school districts. Further study of equalization is pertinent as a sound basis upon which to determine a corrective factor for each town and city, accordingly as the assessments are below or above full value.

Based on the reasoning that the governmental unit has not kept pace with the economic unit, political theorists would transfer the re-

sponsibility for property assessments and tax collections from towns and cities to counties. The trend in New Hampshire is not in this direction but rather toward retaining these services in the towns and cities and toward expanding state supervision over local administration. The advantages of transferring these services to the respective ten counties are not clear to the writer. New Hampshire is a small state, and county government has not developed as an important unit for providing public services except in the field of public welfare. It appears that more can be accomplished by greater cooperation between the state and its towns than by expanding an already inefficient county unit. Before one can recommend otherwise, it is necessary to offer more evidence than is presented here that assessment and tax collection are at present inefficiently administered by the town, and that the county will function better.

Towns, the principal units of local government in New Hampshire, vary in area, taxable wealth, population, and in numerous other ways. These factors cause extreme variations in the cost of similar services, or limit the amount of these services, or both. There are, therefore, extreme variations in town and city tax burdens, and in the kind, amount, and quality of services. The tax system provided for buying public services does not give uniform distribution of the burden among the people. In general, rural towns with a small population, in contrast to those with a larger population, have a small amount of taxable wealth, but have slightly greater than average taxable wealth per capita (see Appendices 8 and 9). Furthermore, in towns with small populations there are few people per square mile, and the present population is only about half that of 1880. Small towns spend little, but the expenditures per capita are greater than for the larger rural towns; they spend less per mile of road, and other public services are known to be of a different kind and quality. The amount of property taxes necessary to meet these expenditures varies in about the same relative proportion as the expenditures. Tax rates are, on the average, only slightly higher in towns with larger than average population.

Analyses of the relation of selected factors to town expenditures and property taxes show that, in general, town expenditures and property taxes tend to bear a constant ratio to population and taxable wealth. That is to say that, inasmuch as expenditures keep in line with taxable wealth, property tax rates are not influenced to any great extent by these factors except perhaps in some unusual circumstances. These statements are made without reference to the number, amount, and quality of the governmental services provided. Whether or not state aid for schools and highways, which is expended in those towns of low taxable wealth, is of such amounts as to equalize the burden of taxation to the extent that such towns are not deprived of the necessary governmental services of standard quality is a matter not determined here. However, it is apparent that small rural towns are able to provide an appreciable number of public services at low costs because much of the local administration of those services is voluntary, and because some services, though presumably available, are relatively inactive.

PART III. IMPORTANT LOCAL FUNCTIONS AND THEIR STATE-LOCAL RELATIONSHIPS

A pronounced relationship exists between the state and its subdivisions for administering and coordinating the business of government. This relationship extends to nearly all public services. It has been shown in a previous section, for example, that, although the administration of the property tax is a function of the town, the state tax commission has general supervision over the tax laws of the state. The commission requires annual reports of local tax officials, it can discharge local tax collectors, and it can cause reassessments to be made. Many such important relationships exist in other fields of public service. To explain the more important functions of local units of government without reference to these state-local relationships would be incomplete and would only result in confusion. It is the purpose of this section, therefore, to select the more important functions of local government and attempt to explain how each is administered in the light of these state-local relationships.

These local functions are concerned with highways, education, public welfare, public health, and law enforcement. Other important local services, such as assessment of property and collection of taxes, have been adequately treated in a previous section.

HIGHWAYS

Like other states in the northeast, New Hampshire early resorted to the policy of chartering private corporations to construct turnpikes and of permitting them to exact a toll. This procedure was particularly prevalent in the early part of the nineteenth century. The plan was somewhat disappointing to investors and proved inadequate for the needs of the public. Free public roads developed, but there was no unified state control over the state system until 1903 when the legislature authorized the governor and his council to appoint highway and civil engineers. At the following session of the legislature, in 1905, an act was passed which more fully defined the highway relationships between state and local agencies. It was not until 1915, however, that the legislature abolished the office of state highway engineer and established a state highway department under the administrative control of the highway commissioner who was to be appointed by the governor and his council. The department was created for the purpose of laying out, constructing, and maintaining highways developed wholly or in part by the use of state funds. [50]

The commissioner of highways was not granted power over local officials equal to those departments in charge of education and tax administration. Even though some state aid is extended to towns from state highway funds for the maintenance of town roads, the commissioner is not authorized to supervise the expenditure of those

[50] Much of this historical discussion is a summary of "History of the State Highway System" by Commissioner F. E. Everett, 1939.

funds. He does, however, have control over the expenditure of funds on state aid highways, which are constructed by joint appropriations of both towns and state. His advisory capacity in his relations to local officials has its source in his legal duty to provide for annual meetings of local highway agents when advice and instruction are given relative to the care and maintenance of local highways.

In 1925 the state legislature provided for the classification of highways, as follows:[51]

Class I. All state highways, trunk lines, and cross-state highways.

State highways are those constructed and maintained by the state and designated as state highways.

Trunk lines are highways which are designated as such, or as *cross-state* roads to be permanently improved.

Class II. All highways designated as state-aid roads by the highway commissioner, constructed by joint funds, and maintained by the state.

Class III. Those highways designated as town highways and set aside by the highway commissioner from the regular town highways for state maintenance.

Class IV. All highways within the compact parts of towns of 2,500 inhabitants and over.

Class V. All other traveled highways.

Class VI. All other existing public ways not regularly maintained.

The commissioner has authority to assign highways to their appropriate classes and to change the assignment from one class to another. By this authority he is able to control to some extent the miles of Class V roads on which state aid is claimed.

In 1933 the state assumed full control for reconstruction and maintenance of truck-line and state-aid highways for a trial period of two years. In 1935 the legislature removed the trial clause and gave the state department full control of highways and bridges on the trunk-line system, and all highways on the state aid system, excluding bridges. The state aid, or secondary, system was complicated because of authority having been granted local highway officials to approve or disapprove the location of these roads. This procedure was not conducive to long-time planning for a sound state highway system to best serve the public. In 1937 the state legislature passed an act which provided for the establishment of a definite secondary system for the purpose of developing recreational areas and rural communities that are not now adequately served by highway transportation facilities. The system is to connect existing highways into a secondary system in accordance with a map prepared by the commissioner. This control map was filed as an integral part of the act and divided the secondary system (Class II) into two classes of subsystems of-

[51] Revised Laws, 1941, Chapter 99, Section 24. The description presented here is not an exact quotation from Chapter 99, Section 24, which refers to other chapters and sections of the statutes for definition.

ficially designated as II-A and II-B, so-called "Secondary Orange" and "Secondary Yellow," respectively, because of the map coloring which differentiates the two systems. The "orange system" includes through routes other than trunk-line roads and connects highways between trunk lines and those branch roads which lead from trunk lines to isolated villages. The "yellow system" is composed chiefly of so-called feeder roads. [52]

Out of every ten miles of highway in the state there are approximately seven miles in the town system (Table 20). Sixty percent of the total highway mileage is rural post roads, Class V, which are regularly maintained by the town, and for the most part are not permanently improved. There are 951 miles of town roads, Class V, which have been designated as part of the secondary system, but they are still unimproved and are maintained by the town, and therefore appear in Class V. However, they will ultimately be taken over by the state, an act which will increase the state system to 33 percent of the total highway mileage compared with 25 percent prior to the creation of the secondary system in 1937.

Table 20. Distribution of Highway Mileage in New Hampshire by Classes, January 1, 1941*

Class	System	Number of miles: Sub-total	Number of miles: Class total	Percent of total
I	Primary		1,422	10.5
II-A	Secondary Orange	1,717		
II-B	Secondary Yellow	398	2,115	15.6
III	Unimproved Primary		none	
IV	Compacts			
	on trunk line	62		
	on II-A Orange	27		
	on II-B Yellow	3		
	remainder	632	724	5.4
V	Town roads			
	on II-A Orange	206		
	on II-B Yellow	745		
	remainder	7,167	8,118	60.1
VI	Town roads, not regularly maintained		1,015	7.5
Unclassified—Forest highways, etc.			120	0.9
	Total		13,514	100.0

* Annual report of the highway commissioner, 1940.

All of the primary system and nearly 90 percent of II-A highways have been built and are maintained by the state (Table 21). Of the 1,155 miles of secondary yellow, only 398 miles have been built and maintained by the state, whereas 103 miles have been built and maintained by the towns. Approximately 56 percent of the II-B

[52] Sixteenth annual report of State Highway Department, 1938.

highways are unbuilt and are maintained by the towns. Winter maintenance is another matter. All of the primary system, 1,349 miles of II-A and only 61 miles of II-B, are maintained by the state in the winter although winter maintenance is a responsibility of the respective towns on all other highways.

TABLE 21. THE STATE HIGHWAY SYSTEMS CLASSED ACCORDING TO WHETHER BUILT AND MAINTAINED BY STATE OR TOWNS, EXCLUSIVE OF MILEAGE IN COMPACT PARTS OF TOWNS AND CITIES, JANUARY 31, 1941*

System	Total miles in system	Built and maintained		Unbuilt and maintained by towns	Winter maintained	
		by state	by towns		by state	by towns
Primary trunk line	1,422	1,442	0	0	1,422	0
II-A secondary orange	1,923	1,717	0	206	1,349†	530
II-B secondary yellow	1,155	398	103	642‡	61	1,082
Total	4,500	3,537	103	848	2,832	1,612

* Annual report of the highway commissioner, 1940.

† Forty-four miles of state roads are not plowed.

‡ Twelve miles are not maintained, Class VI.

Financial arrangements between the state and its towns for the maintenance and construction of highways is mainly concerned with Classes II and V. The general highway fund of the state department is derived principally from motor vehicle license fees and the gasoline tax, the latter commonly known in New Hampshire as a road toll. Not later than February 1 of each year the highway commissioner notifies each town of the amount to which it would be entitled for state aid on these two classes of highways. Towns which elect to accept state aid for Class II highways are not entitled to receive aid also for the construction of Class V roads. Localities may apply for state aid for the construction of Class II highways by making application to the highway commissioner on or before May 1 of each year, after having raised and appropriated money according to their assessed valuation as follows:

ASSESSED VALUATION OF TOWN OR CITY	TOWN APPROPRIATION PER $1,000 OF VALUATION
Less than $2,000,000	$1.50
$2,000,000 to $3,000,000	1.125
$3,000,000 to $5,000,000	.75
$5,000,000 to $15,000,000	.50
$15,000,000 and over	.375

For each dollar appropriated by the towns and cities, the highway commissioner shall apportion highway funds as follows:

ASSESSED VALUATION OF TOWN OR CITY	STATE APPORTIONMENT FOR EACH $1 APPROPRIATED LOCALLY [53]
Less than $1,000,000	$2.00
$1,000,000 to $3,000,00	1.00
$3,000,000 to $10,000,000	.75
$10,000,000 and over	.50

[53] Never less than $1,000.

This joint fund applies only to those Class II highways designated as such by the commissioner before February 15 of each year. The fund cannot be used within the compact portion of any city or towns having a population of 2,500 or more.

Thus state-aid highways are constructed by joint funds to which the state and town contribute according to a fixed amount per $1,000 of assessed valuation. In each case the amount declines as the total assessed valuation rises, and the state contribution is proportionately more for the towns of low valuation. Construction by these joint funds is supervised by the commissioner, and the cost of maintenance is assumed by the state, or by the town, according to the designation on the official map.

The cost of bridge construction on the secondary system of highways is borne jointly by local and state funds in accordance with the following:

Classification of towns according to assessed valuation	Total cost of bridge	Joint fund		Minimum town share	Maximum state share
		Town	State		
$250,000 or less	$3,000 or less	1/3	2/3		
	$3,001 to $6,000	1/4	3/4	$1,000	
	$6,001 to $16,000	1/5	4/5	$1,500	
	More than $16,000	1/6	5/6	$3,200	$20,000
$250,001 to $500,000	$3,000 or less	1/2	1/2		
	$3,001 to $6,000	1/3	2/3	$1,500	
	$6,001 to $16,000	1/4	3/4	$2,000	
	More than $16,000	1/5	4/5	$4,000	$20,000
$500,001 to $1,000,000	$6,000 or less	1/2	1/2		
	$6,001 to $16,000	1/3	2/3	$3,000	
	More than $16,000	1/4	3/4	$5,333	$20,000
$1,000,001 to $1,500,000	$16,000 or less	1/2	1/2		
	More than $16,000	1/3	2/3	$8,000	$20,000
More than $1,500,000	All bridges	1/2	1/2		$20,000

All such construction is under the supervision and approval of the highway commissioner. The allocation of maintenance is as designated on the official map filed with the secretary of state.

Any city or town which does not accept state aid for Class II highways in any year shall be entitled to state aid for the improvement of Class V highways (so-called town road aid) by making application to the commissioner on or before May 1. The total sum of $500,000 is apportioned (but not paid) by the commissioner among the localities on the basis of miles of Class V roads and population as follows:

1. Four-fifths of allotment ($400,000) in direct proportion to the mileage Class V roads in each locality bear to the total Class V mileage in the state.
2. One-fifth of allotment ($100,000) in direct proportion to the population each locality bears to the total population in the state.

The locality must set aside an amount equal to 25 percent of the state apportionment, but in no case greater than that which would be raised in order to obtain state aid for Class II roads.

These joint funds are expended for the purpose of improving rural post roads under supervision of, and in locations approved by, the highway commissioner. The maximum expenditure is $1,500 per mile of road except by special permission. Highways thus improved are maintained by the town.

The state highway commissioner may designate a section of any main town highway for maintenance under the state patrol system, providing such a highway has not been improved under the state-aid laws.

In the month of July of each year the highway commissioner is required to allot to each town a sum sufficient, when added to the amount which might be derived by a tax of 50 cents on each $100 of assessed valuation of the preceding year, to equal $90 for each mile of Class V highway in the town. [54] Thus, those towns in which a tax of 50 cents on each $100 of assessed valuation is greater than $90 per mile of Class V roads are not eligible to receive state aid for the maintenance of their rural post roads. This is the only form of state aid for maintenance of Class V roads. Only 48 towns received this type of state aid in 1940.

The state treasurer collects a four-cent tax on gasoline, three cents of which is expended on highways. This revenue amounted to nearly 2.7 millions for 1940, and accounted for 39.0 percent of the total revenue of the department in 1940 (Table 22). The remaining one-cent gas tax is used for paying interest and retiring bonds issued for remedying damages caused by recent floods and the hurricane of 1938. Through the motor vehicle department the state obtains revenue from motor vehicle operators, including registrations,

Table 22. Income of the State Highway Department by Sources, February 1, 1940 to January 31, 1941*

Source of income		Amount of income	Percent of total
3-cent gas tax		$2,680,186.64	39.0
Motor vehicle fees		2,879,534.90	41.9
Federal aid: Regular	$699,912.63		
Other	216,595.32	916,507.95	13.4
Garage income		348,527.09	5.1
All other†		38,652.74	0.6
Total		$6,863,409.32	100.0

* Annual report of the State Highway Department, 1940.

† Excludes $2,000,000 from bonds. The unexpended balance at the end of the fiscal year amounted to more than 80 percent of the bond principal.

fees, and fines. Any balance in excess of the expenses of the motor vehicle department and $150,000 for highway patrol by the state police is used for highway purposes. The revenue which accrues to the highway department from this source slightly exceeds that from the gas tax and in 1940 amounted to 41.9 percent of the total income for

[54] Chapter 220, Session Laws of 1941.

highways. Federal aid accounted for 13.4 percent of the income of the highway department. It should be mentioned here that the state legislature makes no appropriations for highways at its biennial sessions.

A classification of state highway expenditures, with amounts and percentage distribution, is shown in Table 23. More than three-fourths of the total expenditures was about equally divided between new construction and regular maintenance. Federal aid construction was unusually large in 1940. Money expended for "town road aid" amounted to only 5.3 percent of the total. A quite insignificant amount, $55,334, was distributed to towns as aid for maintenance of Class V roads. During the same year towns expended almost two million dollars for maintenance of Class V highways, and over one-fourth as much more as general expenses of their local highway departments. [55]

Table 23. Classification, Amount, and Percentage Distribution of the Expenditures of the State Highway Department, Fiscal Year Ended January 31, 1941

Class of expenditure	Amount	Percent of total
Construction		
Federal aid	$1,649,229.49	23.2
Town road aid	377,531.41	5.3
State aid, II-A and II-B	347,478.90	4.9
Land and buildings	185,333.86	2.6
Trunk line	104,157.37	1.5
All other	41,442.55	0.6
Subtotal	$2,705,173.58	38.1
Maintenance		
State aid	$1,362,864.07	19.2
Trunk line	1,217,132.69	17.1
Betterments	168,293.15	2.4
Class V roads	55,334.04	0.8
Land and buildings	41,106.46	0.6
Memorial bridge	9,998.08	0.1
Subtotal	$2,854,728.49	40.2
All Other		
Operation	$ 928,313.83	13.1
Debt service	243,675.00	3.4
Hurricane	203,569.16	2.9
State police	150,000.00	2.1
Other	14,160.64	0.2
Subtotal	$1,539,718.63	21.7
Grand total	$7,099,620.70	100.0

There are several different construction accounts which are contributed to jointly by the state and the towns (Table 24). In only one of these accounts, that of improvement on the secondary orange, did the towns contribute more than the state in 1940. On the state

[55] Annual report of the state tax commission, 1940.

aid bridges the state contributes approximately three dollars for each dollar provided by the town. For the improvement of Class V roads the state contributes approximately four dollars for each dollar contributed by the town.

TABLE 24. SOME FUNDS EXPENDED JOINTLY BY STATE AND TOWNS WITH AMOUNTS AND PERCENTAGES CONTRIBUTED BY EACH, YEAR ENDED JANUARY 31, 1941*

Account	Total expended	Amount contributed by		Percent of total contributed by	
		State	Towns	State	Towns
Town road aid	$ 474,608	$377,532	$ 97,076	79.5	20.5
State aid orange	575,110	259,496	315,614	45.1	54.9
State aid yellow	99,976	57,062	42,914	57.1	42.9
State aid bridges	96,107	71,692	24,415	74.6	25.4
Total	$1,245,801	$765,782	$480,019	61.5	38.5

* Annual report of the state highway department, 1940.

Total highway payments and receipts of all towns and cities for the fiscal year ended January 31, 1940, as reported in the annual report of the state tax commission, are shown in Table 25. The net highway expense for all towns amounted to nearly four millions. The total amount received from the state was a little more than $200,000, only one-fourth of which was in the form of state aid for Class V maintenance. The town expenditures for Class V maintenance (town maintenance) were nearly $2,000,000 and accounted for one-half of all the highway expenditures. Much of the general expense of the town highway department can be assigned to maintenance since the major work of the department is for maintaining rural roads. More than $392,000 was spent on new town construction and more than $304,000 on state aid construction.

TABLE 25. TOTAL PAYMENTS AND TOTAL RECEIPTS OF ALL TOWNS AND CITIES FOR HIGHWAY PURPOSES, FISCAL YEAR ENDED JANUARY 31, 1940*

Items	Amount
Payments	
Town maintenance	$1,948,883.72
Street lighting	572,349.18
General expenses of department	509,000.13
Town construction	392,396.88
State aid construction	304,355.73
Town road aid	98,121.30
Flood and hurricane damage	52,283.07
Total of payments	$3,877,390.01
Received from State	
Flood and hurricane damage	$ 151,686.29
Class V maintenance	51,809.56
State aid construction	685.03
Total of receipts	$ 204,180.88
Net expense to towns	$3,673,209.13

* Annual report of the state tax commission, 1940.

By way of summary, New Hampshire highways are divided into three major systems: the primary or trunk line, the secondary or state aid, and the town system. The primary and secondary systems are financed largely out of revenue derived from a three-cent gas tax and the motor vehicle tax, nearly all of which are now expended directly for highway purposes. At this time, towns contribute nothing to the primary system, and the state contributes but little to the maintenance of town roads. The state is increasing its mileage in the secondary system, the construction of which is financed by joint funds to which the state contributes heavily. The inclusion of road mileage in the secondary system for winter maintenance has not kept pace with road mileage maintained for summer use. The largest single class of expenditures on all the highways within the state is that of towns for maintenance of Class V highways, which comprise more than two-thirds of the total mileage in the state. Improvement of the secondary system depends by law on whether towns elect to receive state aid for this system or for town road aid, and, therefore, town lines may mark the limits of improvement.

EDUCATION

Public education is not a function of the town but rather of the school district, a separate body politic from that of the town. The school district has its annual meeting separate from the town meeting; it elects its own officers and makes its own appropriations. The amount of expenditures approved in the budget, less estimated income (including state aid), is levied and collected by the town from the property tax. These and other facts concerning public education have already been discussed in previous sections. It remains here mainly to explain the statutory provisions which provide for a coordinated system of public education within the state. State supervision over public education is more pronounced than state supervision of other local governmental functions.

The state board of education has been granted ". . . the same powers of management, supervision and direction over all public schools in this state as the directors of a business corporation have over its business, except as otherwise limited by law. . . . It shall be the duty of school boards and employees of school districts to comply with the rules and regulations of the state board." [56] The duties of the state board are specific and sufficiently broad to effect its administrative powers. It has complete control over teacher training as well as general supervision over superintendents, teachers, and pupils in elementary and secondary schools, and apportions money appropriated by the state legislature for state aid to elementary schools. Supervision of local finances is relatively greater in state-aided districts.

The smoothness of general supervision of public education depends in no small measure upon the close harmony between local school boards and the superintendent of their supervisory unions.

[56] Revised Laws, 1941, Chapter 134, Section 5.

Although the superintendents are direct employees of the state board, they are nominated by the joint boards of the respective supervisory unions. The superintendents nominate teachers for election by local school boards which fix their salaries and term of employment, but either the superintendent or local board is empowered to remove a teacher for cause. Local school boards are authorized by law (and required by regulations of the state board) to require attendance of the superintendent at all meetings of the board, which must meet as often as once every two months. The superintendent presents to the local board the problems which he has observed and may make recommendations for action, but he does not participate in the vote of the board members. Inasmuch as the superintendent is the director and supervisor of instruction and has close contact with the schools and with the state department, his presence at board meetings is exceedingly valuable to the district. Moreover, the superintendent benefits to the extent that he is informed of the action taken by board members on district matters. Furthermore, the state department, through the superintendent, is better informed of local policies.

State aid for the purpose of equalizing educational opportunities and tax burdens is limited to elementary schools. Conditions are such that many children are deprived of a high school education for financial reasons. The statutes provide that a child is required to attend school until he has reached the age of 16 unless he has previously completed the studies prescribed for the elementary schools, in which case he may leave school at the age of 14. However, any district not maintaining a high school is liable for the tuition of each child attending a high school or academy in some other district, but not in excess of the average cost per child of instruction of that school, or of all public high schools of the state (plus the costs of textbooks and supplies), whichever is greater. There is no provision for transportation to secondary schools at public expense, and consequently only a small proportion of the districts annually appropriate money for high school transportation. In one instance families pay fifty cents per day for such transportation. Undoubtedly there are other cases more severe or with no facilities at all.

To equalize educational opportunities in the elementary schools, several statutes are applicable.[57] Every school must maintain prescribed educational standards[58] and every district is required to levy a tax of $3.50 for each $1,000 of assessed valuation for the support of its schools. Any excess above the necessary amount, as determined by the state department, is required to be paid over to the state treasurer who credits the amount to the state department of education. Upon recommendation of the state department the state legislature appropriates money for state aid to school districts in which a tax of one-half of one percent of the equalized valuation of the district is in-

[57] Revised Laws, 1941, Chapter 140.

[58] Revised Laws, 1941, Chapter 135, Section 24, defines a standard school as ". . . one maintained for at least thirty-six weeks in each year, in a suitable and sanitary building, equipped with approved furniture, books, maps and other necessary appliances, taught by an approved teacher, directed and supervised by an approved superintendent, with suitable provision for the care of the health and physical welfare of all pupils."

sufficient to maintain the required elementary schools, and to purchase the required textbooks and supplies. The state board apportions from this appropriation the necessary money to the districts which qualify and have applied for state aid. If the approved claims of the districts entitled to state aid exceed the appropriation, the allotments are reduced by an amount sufficient to bring the total grants within the appropriation. The reduction in the allotment of each district bears the same ratio to the total reduction as the equalized valuation bears to the total equalized valuations of all the districts receiving state aid. The maximum aid that can be granted any district, or all districts within a town, in any year is $6,000. The statutes do not provide for any maximum amount which a district can spend. All except 82 of the 241 districts received state aid in 1937-38, the amount totaling $346,705.

Before December 1 of each year, each school district is required to pay to the state treasurer two dollars for each registered pupil residing in the district and who was enrolled in the public schools during the previous school year. The state treasurer credits this money to the account of the state department of education. The two-dollar tax is called the "per capita tax for state-wide supervision," because it is from this fund that a fixed salary of $2,000 per year is paid to superintendents of the supervisory unions. The "superintendent's excess salary" above $2,000 is determined by the school boards at a joint meeting. This excess salary is proportioned among the respective districts in a manner which the joint board has authority to determine. This so-called "supervision" is sometimes classed as a part of state aid.

Appropriations by the state legislature for the state board of education are shown in Table 26. It should be noted that the gross appropriations include state aid for equalization ($350,000) and for superintendents' salaries ($100,000), and that the estimated revenue from the two-dollar per capita tax ($156,000) appears among the deductions. Thus the necessary net appropriation for state aid is reduced to $294,000.

Table 27 gives the average current costs of public education per $1,000 of equalized valuation for the school year 1939-1940. The district's financial reports and budgets classify current costs between elementary grades, secondary grades, and other current expenses. Under the first two heads the chief charges are for instruction, including teachers and educational materials, janitors, fuel and maintenance of plant, and special activities, including health, transportation, and tuition. Under "other current" are charged the costs of administration, including salaries of district officers and employees, the per capita tax, and the excess salary of superintendents. Total current costs, therefore, exclude expenditures for construction or remodeling of buildings, for new equipment, and for debt and interest.

On this basis of current costs per $1,000 of equalized valuation, as shown in Table 27, 73 percent of the districts fall within the range of $5.00 to $15.00. In 12 districts the current costs are $20.00 or more; the highest is $29.99. The average cost of all districts amounts to

TABLE 26. APPROPRIATIONS OF THE STATE LEGISLATURE FOR THE STATE BOARD OF EDUCATION, YEAR ENDED JUNE 30, 1941*

Items		Amount
Gross Appropriations:		
Administration		$ 54,275.00
Equalization, state aid		350,000.00
Superintendents' salaries, state share		100,000.00
Conferences		1,500.00
Vocational education		10,050.00
Vocational rehabilitation		10,000.00
Education of deaf		16,500.00
Teachers' colleges		318,458.89
Total appropriation		$860,783.89
Less estimated revenues credited to department:		
Per capita tax	$156,000.00	
Literary fund	42,500.00	
Unorganized places	7,862.23	
Rebate ($3.50 tax)	7,811.12	
Teachers' colleges	165,175.00	
Federal	7,000.00	
Total deductions		$386,348.35
Net appropriation		$474,435.54

* Session Laws, 1939, Chapter 223.

$12.40. Naturally, state aid increases with higher costs, but it must be understood that the figures in Table 27 are actual costs and do not necessarily determine the amount of state aid. The actual current costs of a particular district may be high and yet not qualify for state aid, since the state department of education scrutinizes the expenditures of every district which applies for such aid. For instance, if a district votes and appropriates money to transport children who live within 1.5 miles of the school, or maintains a small one-room school when it could be combined with another school at a considerable saving, the state department adjusts the expense account for these and other unnecessary expenditures when computing the amount of state aid for which the district is eligible.

TABLE 27. CURRENT COSTS OF PUBLIC EDUCATION PER $1,000 OF EQUALIZED VALUATION, 1939-1940*

Range in total current costs per $1,000 of equalized valuation	Number of districts	Average current costs per $1,000 of equalized valuation					
		Local district	State aid	Total elementary	High school	Other current	Total current
Less than $5	3	$2.59		$2.59	$0.93	$0.62	$ 4.14
$5 to $9.99	73	4.98	$0.17	5.15	2.18	.61	7.94
$10 to $14.99	103	6.05	1.98	8.03	3.39	.94	12.36
$15 to $19.99	50	6.60	4.18	10.78	4.70	1.26	16.74
$20 and over	12	6.14	10.86	17.00	4.91	1.87	23.38
All districts	241	$5.80	$2.31	$8.11	$3.34	$0.95	$12.40

* Biennial report of State Board of Education, 1941.

The following cases serve to illustrate the results of such a procedure:

	Amount per $1,000 of equalized valuation	
	District A	District B
Current elementary costs levied locally	$5.39	$6.03
State aid	4.59	1.34
Total elementary costs	$9.98	$7.37

District B had local elementary costs amounting to $6.03 per $1,000 of equalized valuation, compared with $5.39 for District A, but the amount of state aid received by District A was more than three times that received by District B.

PUBLIC WELFARE

Care of the town poor has always been, and continues to be, a local responsibility under the supervision of the overseer of the poor, a town official. The only requirement for direct relief is actual need. Liability for the expense of such relief, however, is determined by "settlement." "Any person of the age of twenty-one years who shall have had his domicile in any town in this state for five consecutive years shall thereby gain a settlement in such town." [59] According to a statement by the commissioner of public welfare, this section of the law must be qualified to the extent that to gain a settlement the person must have had his domicile in a town for five consecutive self-supporting years. Self-supporting means without public aid except for the receipt of old-age assistance, blind aid, or aid to dependent children.

Settlement in any town is lost by an absence of five years or by having gained settlement elsewhere. Furthermore, settlement is lost after having received relief for five consecutive years when the county assumes the financial responsibility for assistance as "out-of-settlement relief." Out-of-settlement relief may be paid in the first instance by the town as "support of county poor," for which the town is later reimbursed by the county. Money collected locally and paid over to the county in the form of "county taxes" is largely for welfare purposes, and it is these taxes which constitute the major source of county revenue. Much of the welfare activities of the county represents that which was transferred from the town as a result of eliminating town almshouses and local jails in the interest of economy and efficiency. [60] Each county farm is now organized to include the house of correction, hospital, and the county jail in most cases. Settlement cases at the county farm are charged back to the towns until settlement is lost.

For the fiscal year ended January 31, 1940, public welfare expenditures of all towns and cities amounted to more than 1.6 million

[59] Revised Laws, 1941, Chapter 123, Section 1.

[60] Brookings Institution Report, 1932.

dollars, which was more than five times the 1929 figure (Table 28). In terms of the percent of all town and city payments, welfare expenditures increased five times. During this same period total county taxes increased nearly three times. In 1929 county taxes were more than four times the local welfare expenditures, and in 1940 they were only about two and one-half times the local figure.

TABLE 28. PUBLIC WELFARE EXPENDITURES BY NEW HAMPSHIRE TOWNS AND CITIES, COMPARED WITH COUNTY TAXES, 1929 TO 1940*

Fiscal year ended January 31	Town and city expenditures			
	For public welfare		For county taxes	
	Amount	Percent of all expenditures	Amount	Percent of all expenditures
1929	$ 311,001	1.3	$1,280,215	5.5
1930	321,792	1.4	1,379,640	5.8
1931	371,765	1.6	1,389,245	5.8
1932	519,675	2.1	1,608,662	6.6
1933	1,023,196	4.8	1,760,805	8.3
1934	844,623	4.2	1,610,132	7.9
1935	518,422	2.3	1,522,696	6.8
1936	1,302,451	5.4	2,143,758	8.9
1937	1,599,016	6.5	2,655,101	10.8
1938	1,468,762	5.8	2,873,959	11.4
1939	1,557,807	6.1	3,272,365	12.8
1940	1,621,784	6.4	4,026,606	15.8

* Annual reports of the state tax commission.

For the fiscal year ended January 31, 1933 local welfare expenditures were double those of the previous year, but they declined in 1934 and again in 1935 to approximately the 1932 amount. By January 31, 1936, however, welfare expenditures increased to more than 2.5 times those of 1935. These fluctuations are largely due to the fact that the state, assisted by federal funds, assumed part of the relief burden, particularly during part of 1933 and during 1934.[61] The exact proportions of direct relief assumed by the state follow:[62]

July 1, 1933 to January 31, 1935	75 percent
February 1, 1935 to October 31, 1935	50 percent
July 1, 1936 to January 31, 1937	50 percent
February 1, 1937 to April 30, 1937	33⅓ percent
September 1, 1937 to January 31, 1938	20 percent
February 1, 1938 to April 30, 1938	20 percent
May 1, 1938 to May 31, 1938	15 percent

In 1933 towns were authorized by legislative act to make application to exceed their debt limit for the purpose of taking advantage of grants offered by the United States government through the National Industrial Recovery Act.[63] This and subsequent acts of Congress

[61] See Session Laws, 1935, Chapter 20.

[62] Annual reports of the state tax commission.

[63] Sessions Laws, 1933, Chapter 162.

have encouraged these local units to participate in work relief programs by borrowing money to repair and construct highways and public buildings, and to participate in miscellaneous projects. Most of this type of relief has been particularly acceptable because of the comparatively large contributions by the federal government.

The present state department of public welfare was created by an act of the legislature in 1937.[64] The board of public welfare consists of three members appointed by the governor and council. The governor designates the chairman, and the board appoints a commissioner who is the executive and administrative officer of the department. Authority is granted the board to make the necessary rules and regulations which, when applicable, are binding upon counties and towns. Furthermore, it is their duty to determine the number of necessary employees in all administrative units (state, county, and town) for the administration of old age assistance, aid to dependent children, and aid to the blind. Other general duties of the board are defined in the statutes as follows:

> Develop plans to provide assistance to needy aged, blind, tuberculous persons and dependent children; administer or supervise the administration of these activities, the activities of the state's veteran officer, child welfare services, social service index and other activities hereinafter mentioned.[65]

The necessary expenditures of the board are met from the public assistance fund established in the state treasury from funds made available by federal, state, and local governments. This fund is divided into separate accounts as follows:

1. Aid to the aged.
2. Blind assistance and service.
3. Aid to dependent children.
4. Child welfare services.
5. Aid to tuberculous persons.
6. Assistance to the deaf.[66]
7. Administration and service.

The federal government contributes approximately one-half (within specified limits) of aid to the aged, of aid to the needy blind, and of aid to dependent children. Counties and towns reimburse the public assistance fund for 25 percent of all assistance granted the aged by the state. The state's share, therefore, is 25 percent of aid to the aged, 50 percent of aid to the needy blind, and 50 percent of aid to dependent children.

Needy people are eligible for old age assistance if they are 65 years[67] of age, if they are citizens of the United States, and if they are not in need of institutional care. Aid to the needy blind is available to those whose vision is so defective as to prevent the perform-

[64] Session Laws, 1937, Chapter 202. Revised Laws, 1941, Chapter 126.
[65] Session Laws of 1939, Chapter 8, Section 5. Revised Laws, 1941, Chapter 126, Section 6.
[66] Education of the deaf is a function of the state department of education.
[67] Revised Laws, 1941, Chapter 126.

ance of ordinary activities for which eyesight is essential. No person is eligible to receive aid to the blind while receiving aid to the aged. Persons are eligible for aid to dependent children if they are in need, if they are under the age of 16 years, if they have been deprived of parental support or care by reason of death, continued absence from the home, or physical or mental incapacity of a parent, and if they are living with a parent or near relative in a place of residence maintained by one or more of such relatives.

For these three types of special relief it is the responsibility of the state commissioner to determine the amount of assistance which any person shall receive. However, he first consults the proper officials of counties or towns required to contribute to the cost. Application for assistance in the first instance is made to the commissioner who immediately notifies the selectmen of the town in which the applicant claims a legal settlement, or the county commissioners if no settlement is established. Assistance is not granted to those whose near relatives are financially able to support them, and any assistance to persons having in the state a father, mother, stepfather, stepmother, son, or daughter whose weekly income or other resources are more than sufficient to provide a reasonable subsistance may be recovered from such relatives.

Child welfare service is largely a matter of cooperation between the state department and local officials, the state assuming general supervision and the town and county officials assuming active administration. More exactly the law provides for child welfare service as follows:

> Develop and administer state responsibilities for child welfare; supervise the administration of the same by county and town officials, and may administer directly such child welfare activities. Child welfare activities shall include: protection and care of homeless, dependent and neglected children, and children in danger of becoming delinquent; cooperation with any court and with state and other institutions for children, including investigation and follow up services; services and care of children in foster homes; and all other child welfare activities authorized by law; . . .[68]

There is no separate juvenile court in New Hampshire. Before 1937 both municipal and justice courts had original jurisdiction over juvenile cases. In 1937, however, the municipal courts in each county were given exclusive original jurisdiction over juvenile cases. All cases brought before a municipal court in which the offense constitutes a felony may be certified to the superior court. Moreover, any appeals are taken to the superior court.

Provisions of law concerned with "neglected and delinquent children" [69] refer to children under the age of 18 years. In the procedure the child is brought before the municipal court upon a summons of the justice or clerk of court. The court hears the case in an informal manner but makes no final disposition until an investigation has been made. The court may then issue an order committing the

[68] Revised Laws, 1941, Chapter 126, Section 6.

[69] Revised Laws, 1941, Chapter 132.

child to the care of the board of public welfare, or the court may allow the child to remain in his own home, or in a suitable family or institutional home, during which time the case is reinvestigated from time to time. The expense for the maintenance and care of such a child is borne by the town in which the child resides. A delinquent child may be committed to the industrial school until he reaches the age of 18 years, after which he may be committed to the house of correction, jail, or state prison, or discharged, as the case may warrant.

The foster care of homeless children is considered a part of direct relief. Overseers of the poor in towns, and the commissioners of counties, are required to find suitable homes for dependent children between the ages of three and fifteen years and to contract for their care and education. The expense of this foster care of children is borne by the town or county as conditioned by settlement. All such cases must be reported to the state department of public welfare. The duties of the state department for this type of direct relief are to investigate each case and issue licenses to boarding houses after such places have been approved by the local board of health. Licenses are granted for a term not exceeding one year.

Provisions of law concerning the foster care of children are generally applicable to the care of infant children, those less than three years of age. Anyone who for compensation has in his custody two or more infant children not of blood relation is deemed to maintain a boarding house for infants. Such boarding houses can be continued only after having been licensed by the state department of public welfare upon approval by the local board of health. The expense is borne by the town or county as conditioned by settlement.

Table 29. Expenditures of the New Hampshire State Department of Public Welfare, Year Ended June 30, 1940*

Purpose of expenditure	Amount of expenditure
General administration	$ 50,290.73
State services	9,197.85
Field services	133,652.98
Blind administration and services	14,306.92
Teacher for tuberculous persons	702.00
Merit council	833.12
Civilian Conservation Corps	1,391.15
Total administration	$ 210,374.75
Old age assistance	$1,321,023.76
Aid to dependent children	305,601.20
Aid to needy blind	88,951.57
Sight conservation	4,826.18
Workshop for the blind	12,805.37
Aid to tuberculous persons	72,857.62
Education of blind	8,828.47
John Nesmith fund	62.00
Total assistance	$1,814,956.17
Grand total	$2,025,330.92

* As reported by the commissioner of public welfare.

Because welfare activities are not administered wholly by the state and because there was a complete reorganization of the state department of public welfare in 1938, there is no singly published report available which shows the actual total welfare expenditures of the state. The expenditures of the state department for the year ended June 30, 1940 totaled $2,025,331 (Table 29). This includes the federal funds available and expended for old age assistance, aid to dependent children, and aid to the needy blind. The commissioner estimates that in the spring of 1941 all government agencies were expending approximately $1,500,000 per month in New Hampshire for welfare purposes and work relief programs. This estimate includes sums expended by the federal agencies, particularly the Works Progress Administration, the National Youth Administration, and the Civilian Conservation Corps.

The six institutions maintained by the state and the amounts appropriated for each by the state legislature are shown in Table 30. Each institution has its own board of trustees. These institutions are not under the supervision of the department of public welfare but provide services, in part at least, related to public welfare.

Table 30. Institutions Maintained by the State of New Hampshire, with the Amount of Legislative Appropriation for Each, Year Ended June 30, 1940

Institution	Amount of appropriation*
State Hospital (insane)	$ 844,821
Laconia State School (feeble-minded)	205,899
State Prison	127,180
State Sanitorium (tuberculous persons)	91,870
Industrial School (delinquent children)	90,805
Soldiers' Home	32,000
Total	$1,392,575

* Session Laws, 1939, Chapter 222. These are net appropriations.

The state further appropriated $16,500 for education of the deaf, a function of the state department of education, and $32,500 to the cancer commission, which is independent of the welfare and public health departments. The commission consists of the governor, ex officio, and four members appointed by the governor and council, one of whom must be a member of the state board of health and another must be a member of the New Hampshire Medical Society. The commission is required to establish cancer clinics and is authorized to extend state aid to needy patients suffering from cancer, provided that such state aid in any individual case does not exceed the sum expended by the town or county. The activities of the cancer commission are partly a matter of welfare and partly a matter of public health.

PUBLIC HEALTH

The state board of health consists of the governor, the attorney general, three physicians, and a civil engineer. The physicians and civil engineer are appointed by the governor with advice of the council. The major duties of the state board are centered around investigations and inquiries, and advising and assisting town health officers in making investigations of sanitary matters in their towns. The board appoints a secretary who is the state health officer and is the registrar of vital statistics. Town clerks are required to report all births, deaths, and marriages to the state health officer.

The state board of health appoints a health officer in each town upon recommendation of the selectmen. The selectmen and the appointed officer constitute the local board of health. Local health officers are required to enforce the public health laws and regulations of the state and make such sanitary investigations as may be required either by the local board or by the state board. There are no qualifications specified for the local health officer except that he must be a resident of the town.

In many respects there is no sharp distinction between local health service and local welfare service. Medical service for the needy is usually provided by county and town welfare agencies. Many community nursing agencies have been developed to assist in bedside care and health instruction, but more frequently local physicians attend the indigent in their own homes or at the physician's office on a free basis or by contract with the town. In practice the town health officer's duties include principally receiving reports of diseases, imposing quarantines, and reporting to the local physician. Usually he examines schools and other public buildings, and inspects the milk and water supply when ordered to do so by the state board.

School hygiene is a responsibility of the state department of education, except for the control of communicable diseases. The statutes require that the standard school shall make suitable provision for health and public welfare. The interpretation of this statute by the state board of education is expressed in the following resolution:

> . . . all districts which have not adopted medical inspection must employ a school physician or school nurse for the physical examination of children, and superintendents must include physical exercises in the program for all elementary schools.[70]

At the present time at least 80 districts employ the services of physicians, and 232 of the 237 districts maintaining schools employ nurses. Of these, 42 are full-time school nurses serving 165 districts. The state board of education reports as follows:

> Through this regulation practically every child in the public schools of the state receives a public health examination during the year.[71]

School nurses utilize clinics and hospital facilities wherever possible. The clinics are made available by the cooperation of the state

[70] Biennial report of state board of education, 1939.
[71] *Ibid.*

board of health. This board is required to prescribe directions for tests of sight and hearing, and the state board of education is required to prescribe the necessary test cards, blanks, record books, and other useful appliances.

There are numerous other public health services performed by the state board of health, some of which depend on cooperation with other departments or local health officers. These include the control of communicable diseases, sanitation, hygiene of maternity and infancy, training of nurses, popular health instruction, and the maintenance of a laboratory for chemical, bacteriological, and pathological examinations.

In recent years legislative appropriations for the use of the board of health have been within the range of $75,000 to $90,000. The amounts expended by the 234 towns and cities in 1939 for health services were as follows:

Health departments	$520,655
Vital statistics	10,877
Sewer maintenance	102,441
	$633,973

Expenditures for sewer maintenance are largely limited to cities and large towns and include no expenses for extension or construction. There were 126 towns which listed less than $100 as expenditures of their respective health departments. Sixteen towns spent from $50 to $100, 65 towns spent from $1 to $50, and 45 towns had no expense itemized. For this last group, no expense does not mean that they had no health officer, but rather that he received no salary and that there were no expenses incurred in connection with his office.

LAW ENFORCEMENT AND THE COURTS

Towns are authorized to appropriate money for the detection and apprehension of any person violating a law. Accordingly, towns may elect, or the selectmen may appoint, a town constable or police officer. Many towns follow the practice of electing, or having appointed, a single police officer and then employing additional police and watchmen as occasion arises. Furthermore, village districts can organize for the purpose of appointing and employing police officers. City police are under the immediate control and direction of the city marshal, an appointee of the board of aldermen.

For the year ended January 31, 1940, a total of $757,172 was expended by all towns and cities for police protection, including the care of tramps. There were 103 towns which spent less than $100. Of these, 20 towns showed no expenditure at all, 49 spent from $1 to $50, and 34 towns spent $50 or more.

The law enforcement officers of the county are the sheriff and his deputies, the county solicitor, and the medical referees. The sheriff and solicitor are elected for two-year terms by popular vote, whereas the medical referees are appointed for a period of five years by the governor with the advice and consent of the council. There

are three such referees for each of the counties of Coos, Grafton, and Hillsboro, two for Rockingham, and one for each of the other six counties.

Salaries and fees of the county law enforcement officers are fixed for each county by the public laws. The sheriff's salary varies among counties from $800 to $2,000, and the solicitor's salary varies from $800 to $2,500. Medical referees receive compensation entirely from fees. The general duties of these officials were reviewed under "County Organization" in a previous section.

The law enforcement functions of the state are largely concerned with the attorney general and the motor vehicle commissioner. Both of these officials are appointed by the governor and council [72] for a term of five years. The major function of the motor vehicle department is concerned with the issuing of registrations and licenses, and with the enforcement of motor vehicle laws by means of highway patrolmen. Such patrolmen have the same powers of arrest as other police officers, but these powers are restricted to violations of laws, rules, and regulations relating to motor vehicles. The expenses of the department are paid from its own receipts.

The attorney general acts "as attorney for the state in all criminal and civil causes in the supreme court in which the state is interested, and in the prosecution (in superior courts) of persons accused of crimes punishable with death or imprisonment for life or for twenty-five years or more. He shall have and exercise general supervision of the criminal causes pending before the supreme and superior courts of the state, and with the aid of the solicitors of the several counties he shall enforce the criminal laws of the state. [73]

The expenses of the attorney general's department are met from legislative appropriations. During recent years these have ranged between $24,000 and $36,000.

The State Police Act [74] was passed in 1937 mainly because large areas were without adequate police protection, and because criminals could move so speedily beyond the limited jurisdiction of local police. The authority and duties of the state police are state-wide. In general they patrol the highways and enforce the highway traffic laws and motor vehicle laws. Moreover, they have power to enforce the criminal laws of the state and to serve criminal processes in all counties, but they do not serve civil processes. They report the apprehension of any person to the county solicitor and sheriff, with whom the state police must cooperate for investigation and prosecution. The jurisdiction of the state police does not extend to within the limits of municipalities which maintain an organized police force except when they actually witness a crime or are acting in the interest of crimes committed outside the municipal limits.

The salaries and expenses of the state police are paid from the receipts of the motor vehicle department to the extent of $150,000.

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[72] New Hampshire Constitution, Form of Government, Article 46, and Session Laws, 1931, Chapter 150.

[73] Revised Laws, 1941, Chapter 24.

[74] Revised Laws, 1941, Chapter 144.

Any excess above this is paid from the general funds of the state treasurer in accordance with legislative appropriations.

The governor, with the advice and consent of the council, appoints and commissions a justice of the municipal court in all towns having a population of 2,000 or more.[75] In 1939, 73 towns and cities showed a total expenditure of $40,319.54, of which $23,923.52, or approximately three-fifths, was expended by cities. In towns having a population of less than 2,000 the selectmen may petition the governor for an appointment of a justice of the peace, known as a trial justice.

Municipal courts have original jurisdiction over all crimes and offenses committed within the limits of the city or town which are punishable by a fine not exceeding $500, or imprisonment not exceeding one year, or both.[76] Moreover, the court in any town has the same jurisdiction over crimes and offenses committed within any other town in the same county which has no municipal court. In cities and towns having a population of less than 50,000 the municipal court has concurrent jurisdiction with the superior court over civil cases in which the damages do not exceed $100, in which the title of real estate is not involved, and in which the defendant resides within the county where the court is located. Municipal courts located in cities of 50,000 or more inhabitants have concurrent jurisdiction with the superior court over civil cases in which the damages do not exceed $500, in which the title to real estate is not involved, and in which the defendant resides within the county where the court is located. In this latter case the findings of facts are final, but questions of law may be transferred to the supreme court. Any action in which a defendant has a constitutional right to trial by jury may be transferred to the superior court upon request of the defendant.

In towns having no municipal court the justice of the peace has concurrent jurisdiction with municipal courts over crimes and offenses designated in the statutes as "Offenses Against the Police of Towns."[77] Every justice of the peace may hear and determine any prosecution of a criminal nature where the punishment is by fine of not more than $10, or imprisonment of not more than six months, or both. If the accused pleads guilty, or if he makes it known in writing that he prefers a trial by the justice and waives the right of appeal, a justice may render a decision where the fine is not greater than $100, or six months imprisonment, or both.[78]

Cities and towns having a population of 5,000 or more must appropriate money for the salary of a clerk of the municipal court, an appointee of the justice of that court. The clerk receives all fines, forfeitures, and costs paid into the court, and, after deducting fees and court expenses, turns the remainder over to the town or city treasurer.

The superior court consists of a chief justice and four associate justices. All are appointed by the governor and council.[79] The five

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[75] Revised Laws, 1941, Chapter 367, Section 1.
[76] Revised Laws, 1941, Chapter 367, Section 15.
[77] Revised Laws, 1941, Chapter 430.
[78] Revised Laws, 1941, Chapter 411.
[79] New Hampshire Constitution, Form of Government, Article 46.

justices serve the 10 counties and annually hold two or three court sessions in each county. The superior court has original jurisdiction over criminal cases not within the jurisdiction of the municipal and justice courts. Furthermore, it has jurisdiction over all appeals in criminal cases from municipal courts and justices of the peace.[80] It can issue writs of mandamus and of quo warranto.

The county expenditures for superior court for 1939 as reported by the state tax commission follow:

Jury payrolls	$ 74,920.53
"State vs." payrolls	38,216.00
Referees and masters	4,776.59
Counsel fees	8,875.11
Stenographer, et cetera	23,368.07
Clerk of the superior court	45,998.45
Sheriff and deputies	42,292.64
Total	$238,447.39

The supreme court is a court of final jurisdiction. Like the superior court, it consists of a chief justice and four associate justices, appointed by the governor and council.[81] There is one general term of the supreme court each year. The justices are required to be in attendance on the first Tuesday of each month except during the months of July and August.[82] The supreme court has general supervision over all inferior courts and has exclusive authority to issue writs of error, of certiorari, and all other writs and processes to other courts, corporations, and individuals.[83] The members of the state tax commission are appointees of the supreme court.

SUMMARY AND CONCLUSIONS

The fiscal system available to local units of government in New Hampshire for obtaining and spending public money is reviewed in Part II, wherein the town functions of property assessment and of tax collection were explained in some detail. Other local services, particularly highways, education, public welfare, public health, and law enforcement, were reserved for the present section. It is the purpose of this section to examine these five local services with special reference to their state-local relationships, omitting, however, much of the detail concerned with the local organization for administering these services, a subject reviewed in Part I. This reference to state-local relationships is significant because the machinery for providing public services involves, in most instances, some division of labor between the state and its subdivisions, and usually involves some degree of administrative supervision by the state for the actual performance of these services.

In New Hampshire it is the public laws rather than the constitution which gives sanction to local self-government. In some respects

[80] Revised Laws, 1941, Chapter 411.
[81] New Hampshire Constitution, Form of Government, Article 46.
[82] Revised Laws, Chapter 359, Section 4.
[83] *Ibid.*, Section 2.

this is forunate, in view of the fact that it is less difficult to obtain legislative action than to obtain constitutional amendment. Therefore, even though one legislative body may alter what a former body has approved, there appears to be greater promise of constructive improvement in local government by having the mechanics of such government contained in the public laws rather than in the state constitution.

One of New Hampshire's statesmen remarked, "A town can do anything just so long as it's legal." Local governmental units are creatures of the state, and, accordingly, it is by permissive legislation that much discretionary business is transacted locally. However, this permissive home rule characterizes the town as something more than a subdivision or agency of the state. The very term "state-local relationship" is suggestive of a mutual interdependence rather than a complete subordination of local units. The problem here is not so much concerned with the extent of home rule as it is with the manner in which the state controls local functions or shares in the administrative supervision of these functions. Unquestionably the trend in New Hampshire is toward greater state supervision over its subdivisions in administering public services. Except in the field of public welfare, once largely a town responsibility, any trend toward shifting the administration of public services from town to county is virtually nonexistent.

The amount of state control and of supervision varies extremely among the local services. State-shared revenues have no particular reference to state control, and grants-in-aid and joint funds are not in every case the criteria, although the latter may be contingent upon compliance to regulations established by a centralized agency which receives its authority from the state.

New Hampshire highways are divided into three major systems: (1) the primary system, (2) the secondary system, and (3) the town system. Approximately 70 percent of the total mileage is in the town system. The primary and secondary systems are financed largely out of revenues derived from a three-cent state tax on gasoline and from motor vehicle registration fees and licenses. The maintenance of town roads is largely financed from the local property tax. Towns contribute nothing to the primary system and the state contributes but a small amount to town maintenance. This state contribution is a grant-in-aid for the purpose of equalizing revenues and is distributed on the basis of taxable wealth per mile of town roads. No state supervision accompanies this aid, and there is no provision for withholding it from rural towns for the purpose of enforcing compliance with a minimum standard. Less than 50 rural towns are receiving this grant, and in total it amounts to less than one per cent of the expenditures of the state highway department.

The construction of highways and of bridges in the secondary system is financed by joint funds, in which the state's share varies inversely with the amount of taxable wealth in the town. Four-fifths of the state aid for the improvement of town roads, also a joint fund, is allocated to towns according to miles of town road, and one-fifth

is allocated according to population. All construction work financed by joint funds and expended on the secondary and town systems is under the direct supervision of the state highway commissioner. In 1940 the expenditures of the state highway department aggregated more than seven million dollars including federal and state aid funds. Towns and cities expended nearly four million dollars for maintenance, and this was expended on nearly 70 percent of the total highway mileage in the state.

Primary responsibility for public education is centralized in the state department of education. Although some division of labor is present, the state board is granted broad supervisory powers over the management, supervision, and direction of the public schools of the state. This control includes general supervision over superintendents, teachers, and pupils of both elementary and secondary grades. Moreover, the state board is authorized to establish regulations concerning the powers and duties of local school boards and of superintendents of the supervisory unions who are employees of the state but are electees of the joint boards of the respective unions. As a further restraint upon local activities, each local school board must require the attendance of the superintendent at all board meetings. However, some discretionary business remains with the local school district. Maintenance of the plant, teachers' salaries, transportation, and budgets are local business but even here minimum standards and state regulations play an important part.

Equalization of educational opportunities is attempted by two legal procedures. The state legislature appropriates money for apportionment among the districts on the basis of equalized taxable wealth. This grant-in-aid is apportioned by the state board which has authority to withhold it in order to enforce state regulations and minimum standards. All but 82 of the 241 districts of the state received this form of state aid in 1939-1940. A second method involves a per capita tax of two dollars per pupil which is paid to the state treasurer and then transferred to the department of education for the purpose of defraying in part the costs of state-wide supervision. This procedure is a matter of taking away from the wealthier and more populous districts and giving to the poor and sparsely populated districts. New Hampshire has no direct grant-in-aid for secondary education. Each school district not maintaining a high school is required by law to pay tuition elsewhere, but transportation to high school, except in a few instances, is a matter of private concern.

The responsibility for public welfare services is divided between the state, the county, and the town. Care of the town poor is a local responsibility under the supervision of the overseer of the poor, a town official. Whether the county or the town is ultimately liable for the expense is determined by "settlement," which is gained by residing in a town for five consecutive years without public support. In addition to a financial rsponsibility for out-of-settlement direct relief, the county maintains the county farm which is combined with the county hospital, house of correction, and county jail. Welfare expenditures constituted only 6.4 percent of all town and city pay-

ments in 1940, whereas the county tax, which is largely for welfare purposes, constituted 15.8 percent of town and city payments.

Old age assistance, aid to dependent children, and aid to the blind are administered by the state department of public welfare. To these three types of relief the federal government contributes approximately one-half of the expenditures. The state's share is 25 percent of aid to the aged, 50 percent of aid to the needy blind, and 50 percent of aid to dependent children. Towns, cities, and counties are required to pay 25 percent of the expenditures for old age assistance.

Child welfare service is under the general supervision of the state but is directly administered by local units of government. There is no separate juvenile court in New Hampshire, but the municipal courts in each county have been given original jurisdiction over juvenile cases.

Public health services are under the general supervision of the state board of public health. Local activities are administered by a health officer who is an appointee of the state board, and who with the board of selectmen constitutes the local board of health. It is the responsibility of the local health officer to enforce the public health laws and regulations of the state. School hygiene is largely a responsibility of the state department of education. Although this high degree of centralization in the state is apparent, local administration and cooperation are of major significance for the operating effectiveness of centralized rules and regulations. Essentially, the New Hampshire town is not a public health unit, but rather it is a cooperating agency of the state.

Law enforcement is decentralized between the state and its subdivisions, including counties, cities, and towns. For the most part, local officials obtain their status by popular election. The limited jurisdiction of local police and their inability to cope with the rapid mobility of criminals resulted in the creation of state police in 1937, a new phase in state-local relationships concerned with protective services.

The New Hampshire court system for the administration of justice, in accordance with the constitution and public laws, and common among the states, is so established that it operates progressively from a court of lowest jurisdiction to one of highest or final jurisdiction. There are three levels of original (in some instances concurrent) jurisdiction, namely, local, county, and state, each of which prosecutes within its own defined limits depending on the magnitude of the offense. The local level includes the trial justice of lowest jurisdiction, and includes municipal courts in towns and cities of over 2,000 persons. The county, or superior court, in addition to original jurisdiction within specified limits, also has jurisdiction over appeals in criminal cases from local courts of a lower order. The state supreme court is of highest or final jurisdiction and has general supervision over all inferior courts.

Let it be understood that state-local relationships are not limited to the basic public services which have been reviewed in this section, and that the scope and purpose of centralization is not a mere matter

of control and supervision. It is true that governmental units have not kept pace with the economic unit but rather they have lagged and have thereby retained many aspects of a "horse and buggy" economy. The broad immediate problem is not one of eliminating local self-government, but rather it is one of parceling out responsibility to effect an efficient public economy. The resulting division of labor between the state and its civil divisions will vary with the nature of the public service in question and with the demand for its expansion.

The trend toward greater centralization of supervision for most public services is definite, and the need is present. Its success will depend more and more upon the cooperation of local units with the state as public services increase in number, amount, and complexity. This trend would be less feasible and less practical were it not for the fact that local units vary in area, population, and taxable wealth. These factors vary so extensively among the "little republics" that the costs of basic public services of recognized quality often become prohibitive, and, accordingly, result in an increasing reliance on the state.

APPENDIX 1

REGULATIONS OF THE STATE BOARD OF EDUCATION

A. POWERS AND DUTIES OF SCHOOL BOARDS

1. The school boards shall determine the salary and term of employment of all teachers and shall elect them upon nomination by the superintendent. If they reject any nomination they shall require the superintendent to make further nominations.

2. They shall employ janitors and other employees required for the proper operation of the schools, determine their salaries and terms of employment and prescribe their duties.

3. They shall authorize all purchases.

4. They shall make suitable provision for the accommodation of pupils in approved school houses and for transportation and shall provide that all school houses and outbuildings are kept in a clean and proper condition.

5. They shall seasonably prepare a budget of school expenditures and before September of each year make suitable assignment of the school money to the various needs of the schools. In state aided districts accounts shall be kept as the State Board shall require and shall be open at all times to the inspection of the superintendent or any other officer of the State Board.

6. They shall hold meetings for the transaction of business at least once in two months and shall require the attendance of the superintendent. The secretary shall keep a written record of each meeting.

7. They shall exercise all powers and perform all duties vested in and imposed upon the school board by law or regulations of the State Board which are not committed to the superintendent or by them expressly delegated to him.

8. They shall upon recommendation of the superintendent and in accordance with the regulations of the State Board determine the subjects of instruction for each of the several grades and the school time to be devoted to each subject.

B. POWERS AND DUTIES OF SUPERINTENDENTS

1. The superintendent of schools of each union shall be nominated by the joint board of the union and employed by the State Board of Education. He shall give his entire time to the performance of the duties prescribed by law and by the regulations of the State Board. Assistant superintendents shall be employed in the same manner and shall devote their entire time to the performance of the duties delegated to them.

2. He shall enforce or cause to be enforced the rules of the school board, the regulations of the State Board and all laws relating to the school attendance and employment of children and illiterates. He shall report to the proper officers violations of the laws of the state or of the regulations of the State Board relating to the administration of the public or private schools or affecting the welfare of children.

3. He shall direct and supervise the work of all teachers and janitors and shall have all powers necessary to make such direction effective.

4. He shall nominate all teachers in accordance with the law and the regulations of the State Board, subject to such rules governing salary, term of employment, etc., as the school board shall determine.

5. He shall select and purchase textbooks and all other scholastic apparatus and supplies in accordance with the regulations of the school board and the State Board and see that the same are suitably distributed to the schools, accurately accounted for and economically used.

6. He shall keep such records and make such reports of his doings, the condition of the schools and the financial standing of the districts as shall be required by the school board or the regulations of the State Board.

7. He shall remove any teacher or other employee of the district found by him to be immoral or incompetent, or who shall not conform to the regulations legally prescribed by the State Board of Education, or by the school board.

8. He shall provide for temporary vacancies in the teaching force and shall have authority to secure fuel or other supplies immediately needed for the operation of the schools, if the school board shall fail to provide them.

9. He shall admit in accordance with the laws of the state and the regulations of the State Board pupils to school attendance. He shall assign them to such classes and grades as he finds their preparation warrants, shall advance them in accordance with their capacity and attainments and shall recommend to the school board their graduation when they have completed the program adopted for the school.

APPENDIX 2

THE AREA, POPULATION, AND ASSESSED VALUATION OF NEW HAMPSHIRE BY COUNTIES

County	Area in square miles	Population in 1940			Assessed valuation in 1940	
		Total	Per square mile	As per-cent of population in 1880	Total	Per capita
Belknap	401	24,328	60.7	146.8	$28,894,268	1,188
Carroll	938	15,589	16.6	87.8	19,434,794*	1,247
Cheshire	717	34,953	48.7	134.2	44,989,037	1,287
Coos	1,825	39,274	21.5	261.8	44,932,919*	1,144
Grafton	1,717	44,645	26.0	123.5	59,603,538	1,335
Hillsborough	890	144,888	162.8	252.3	161,710,617	1,116
Merrimack	931	60,710	65.2	149.8	66,790,271	1,100
Rockingham	691	58,142	84.1	128.9	67,627,719	1,163
Strafford	377	43,553	115.5	148.6	38,046,404	874
Sullivan	537	25,442	47.4	150.9	27,389,458	1,077
State	9,024	491,524	54.5	163.5	$559,419,025	$1,138

* Includes unincorporated places.

Counties, like towns, vary in area, population, and taxable wealth. Is the county in each instance an efficient unit to assume responsibility for administering many public services now administered by towns, or for controlling a secondary highway system? Carroll and Hillsborough counties are approximately equal in area. Assuming that Hillsborough County would make an efficient unit, is it feasible that Carroll County would be equally as good a unit in view of the extreme differences in population and taxable wealth? Cheshire County is about

equal to Coos County in population and taxable wealth, but occupies less than one-half of the area. Many problems are involved. What constitutes an efficient governmental unit for administering public services, and who is going to determine the best size? Is an efficient unit for assessment of property identical with that for the collection of taxes? Is an efficient unit for tax administration also an effective unit for public welfare, public health, law enforcement, and highway maintenance? Is it possible that administrative areas could be established by competent authorities and that such areas could best be organized on a functional basis, irrespective of county lines?

APPENDIX 3

FINANCING JOINT SCHOOL DISTRICTS

A Case Study of Financial Problems Involved

The size and shape of school districts, like towns, are largely a matter of "political accidents." Many small rural districts having a sparse population and providing one or two one-room schools of small registration are confronted with a heavy per pupil expense of transporting children from a few scattered homes in outlying areas. In some instances these more distant homes are within two miles of schools in adjacent districts and it is found more economical for them to pay tuition to another district than to provide transportation to the local school. Some districts have diverted to another means of partially overcoming this problem, that of setting off a section of property into an adjoining district to be assessed and taxed for school purposes. In some situations it is conceivable that the small rural district might close its schools and transport its pupils to an adjoining district, particularly when the latter district has an adequate plant and instructional facilities of a high quality. From a financial point of view this is a matter of balancing transportation and tuition expenses against the costs of school maintenance. Another alternative is for districts to form a union or joint district, or for a wealthier and more densely populated district to absorb the small rural district and, accordingly, to spread the school property tax proportionately over the assessed valuation of the districts concerned.

The following inquiry involves a situation which was recently brought to the attention of local officials in two adjoining school districts. It is presented here as a case study to illustrate some of the financial problems involved when school districts of ill-matched population and taxable wealth attempt to concur. The two units involved are designated as District A and District B.

District A maintains a new eight-room school, employs eight full-time teachers, and has about 180 pupils. The organization provides for six grades of elementary and two years of junior high school. Moreover, this is one of the few districts in the state that provides high school transportation at public expense. On the other hand, District B maintains two one-room schools, eight grades each, for about 40 pupils. The town is distinctly rural and sparsely populated

throughout. Part of the area is more accessible to the District A school, but it is more than two miles distant and would therefore require public transportation should the children be instructed to attend this school. Most of the families in this part of the town, by preference, send their children to District A at their own expense, even though District B provides a transportation route from near this area to its own schools. These same families requested local officials to consider the feasibility of setting off their estates into District A to be assessed and taxed for school purposes. The following statistics summarize the actual financial situation of the two districts for the school year 1940-1941:

	District A	District B
Expenditures	$ 33,381.59	$ 4,675.22
Income other than property tax	935.08	391.63
Balance to property tax	$ 32,446.51	$ 4,283.59
Assessed valuation	$2,053,549	$381,161
School tax rate to meet expenditures	$1.58	$1.12

Under the above proposed plan, taxable wealth amounting to $23,300 would be taken from District B and annexed to District A. Inasmuch as these children were already attending the District A school, there would be no appreciable reduction of District B's expenditures except the per capita tax ($2.00 per pupil) for state-wide supervision. Concerning District A, tax revenue from the additional inventory of this offset property could not possibly compensate for increased expenditures for transportation, the per capita tax, and for the loss of tuition income. In other words, the tax burdens of both districts would have been greater and a few families would have been relieved from paying tuition and from providing their own transportation for both elementary and secondary schools. Had this proposed plan been in effect during the school year 1940-1941, the summary of school finances would have appeared about as follows:

	District A	District B
Expenditures	$33,764	$4,663
Income	719	392
Balance to property tax	$33,045	$4,271
Assessed valuation	$2,076,849	$357,861
School tax rate	$1.59	$1.19

As a matter of interest, some consideration was devoted to the practicability of District B closing its two one-room schools and transporting all its pupils to District A. This would involve a tuition payment of $36 per pupil per year and a transportation expense of approximately $55 per week for 37 weeks. To partially compensate for these increases, many expenses would be eliminated, namely, teachers' salaries, text books and supplies, medical inspection, and all expenses concerned with plant operation and maintenance. Costs of adminis-

tration, state-wide supervision, and high school tuition obviously would remain unchanged. A summary of the finances of each district under such a plan had it been in effect during 1940-41 follows:

	District A	District B
Expenditures	$33,600	$5,570
Income	2,375	392
Balance to property tax	$31,225	$5,178
Assessed valuation	$2,053,549	$381,161
School tax rate	$1.52	$1.36

Obviously, from a purely fiscal point of view, it is more economical for District B to maintain its two one-room schools than to transport the pupils elsewhere and to pay tuition.

The amount of taxable wealth per capita for Districts A and B is $1,340 and $951, respectively. Thus, District A has an apparent advantage over District B in providing public services of an identical quality at lower cost per unit of assessed valuation. However, the school tax rate is much higher in District A than in District B because the average family income is higher and the voters are therefore less hesitant to appropriate money for educational purposes, and because appropriations are spread over a relatively large amount of taxable wealth. A modern eight-room school building cannot be owned by District B except at prohibitive costs of construction, operation, and maintenance, in view of the relatively low valuation. If District A were not to provide high school transportation, and if there were no interest and principal payments on bonded indebtedness, its school tax would have been $1.34 per $100 of assessed valuation in 1940-1941, still much higher than the District B rate of $1.12.

Assuming that the two districts were to organize a union district, use only the newly constructed A school, and spread all costs, except high school transportation, uniformly over all the taxable wealth of the two districts. A summary of the union's finances for 1940-1941 would appear about as follows:

	Union District
Expenditures	$35,200
Income	1,200
Balance to property tax	$34,000
Assessed valuation	$2,434,710
School tax rate	$1.40

These figures are based on the assumption that the expense for debt service would be spread proportionately over the assessed valuation of the two districts. Surely there is justification in assuming that District B must undergo an annual capital investment in the new plant, although it is conceivable that factors other than taxable wealth, particularly the number of pupils, would play an important part in bringing about an agreement between the two districts. If the

residents of District A should wish to continue transporting high school pupils at public expense, an additional assessment against the property in District A could be levied. This would amount to eleven cents per $100 of assessed valuation in that district, thus increasing the tax rate to $1.51, leaving the District B rate unchanged at $1.40.

No apparent plan appears available to the residents of District B whereby they can improve on their existing educational facilities without increased costs. The fact still remains, however, that with an additional annual property tax of between twenty and thirty cents per $100 of assessed valuation, the residents of District B might avail themselves of a modern eight-room school, providing, of course, that arrangements satisfactory to both districts can be devised.

Undoubtedly there are many situations in which school districts can benefit by organizing unions. It is particularly important that, when individual school districts contemplate a heavy investment in new school buildings, they have recourse to the financial statistics of adjoining districts and calculate all conceivable plans whereby these districts might coordinate their educational activities

APPENDIX 4

FREQUENCY DISTRIBUTION OF 233* TOWNS AND CITIES ACCORDING TO TAX RATES, BY TAX YEARS, 1913 TO 1941

Tax year	Town and city tax rates in dollars per $100 of assessed valuation											
	Less than 0.50	0.50 to 0.99	1.00 to 1.49	1.50 to 1.99	2.00 to 2.49	2.50 to 2.99	3.00 to 3.49	3.50 to 3.99	4.00 to 4.49	4.50 to 4.99	5.00 to 5.49	5.50 and over
	Number of towns and cities											
1913	1	12	74	114	29	3						
1914	2	6	67	121	34	3						
1915		5	58	133	36	1						
1916		3	47	128	47	8						
1917		1	39	124	58	10	1					
1918	1	2	35	97	77	19	2					
1919		2	10	42	104	60	15					
1920		1	1	18	69	92	46	6				
1921		1	4	15	79	88	36	10				
1922			3	17	88	93	25	7				
1923			2	21	61	100	40	7	2			
1924			1	27	75	74	40	15	1			
1925			1	10	56	91	61	11	3			
1926			3	17	48	77	65	20	3			
1927			1	11	32	77	77	30	5			
1928				8	33	78	74	28	12			
1929				6	31	80	72	37	7			
1930			1	6	32	76	73	40	5			
1931			1	4	29	68	76	45	8	2		
1932		1		25	59	85	49	11	2	1		
1933		1	1	11	64	87	51	14	4			
1934		1		9	39	78	74	23	8	1		
1935			2	4	20	59	71	55	19	3		
1936			1	3	17	44	75	59	27	5	2	
1937			2	4	18	40	79	52	32	6		
1938			1	2	15	46	74	56	31	8		
1939			1	2	20	49	56	68	27	7		3
1940		1	1	4	18	38	78	64	21	7	2	
1941			1	7	14	47	76	55	22	10	1	

* Only 233 towns had corporate status during the entire period.

The median tax rate has been rising consistently over most of the period from 1913 to 1941. It is equally significant that there is less tendency for tax rates to center around the state average, and more tendency for them to be distributed over a wider range.

APPENDIX 5

A TYPICAL BUDGET AS SUBMITTED TO THE VOTERS AT TOWN MEETING

(Copied from town report)

BUDGET OF THE TOWN OF ———, NEW HAMPSHIRE

Estimates of Revenue and Expenditures for the Ensuing Year, February 1, 1939 to January 31, 1940, Compared with Actual Revenue and Expenditures of the Previous Year, February 1, 1938 to January 31, 1939

Sources of Revenue	Actual revenue previous year, 1938	Estimated revenue ensuing year, 1939
From State:		
Interest and dividends tax	$ 79.51	$ 75.00
Insurance tax	32.10	30.00
Railroad tax	54.64	50.00
Savings bank tax	1,133.04	1,100.00
Bounties, receivable	14.60	4.20
From local sources except taxes:		
Interest on taxes and deposits	333.56	300.00
Motor vehicle permit fees	855.51	850.00
From local taxes other than property taxes:		
Poll taxes	650.00	800.00
National bank stock taxes	7.00	5.00
Cash on hand (surplus)	743.30	1,851.48
Total revenues from all sources except property taxes	$3,903.26	$5,065.68

Purposes of Expenditures	Actual expenditures previous year, 1938	Estimated expenditures ensuing year, 1939
Current maintenance expenses:		
General government:		
Town officers' salaries	$ 805.00	$ 755.00
Town officers' expenses	355.92	425.00
Election and registration	12.50	12.50
Town officers' supplies	265.07	275.00
Expenses town buildings	136.55	125.00
Protection:		
Police Department	207.17	200.00
Fire department	317.40	350.00
Moth extermination-blister rust	- -	400.00
Insurance and bonding	772.67	325.00
Health:		
Health department	40.56	50.00
Vital statistics	9.95	15.00

Amount to be raised by property taxes		23,490.35	
Total revenues		$28,556.03	
Highways and bridges:			
Town maintenance		2,400.00	2,400.00
Snow removal		964.00	1,000.00
General expenses		578.03	500.00
——— Road		243.09	--
——— Bridge		$250.00	--
Class V construction		555.27	$556.63
Libraries		200.00	200.00
Public welfare:			
Town poor		2,026.17	1,500.00
Old age assistance		350.00	400.00
Patriotic purposes:			
Memorial Day		50.00	50.00
Old Home Day		--	50.00
Recreation		100.00	100.00
Interest:			
On long-term notes		267.17	200.00
Payment on principal of debt:			
Long-term notes		1,878.55	1,950.00
Payments to other governmental divisions:			
State taxes		1,836.00	1,800.00
County taxes		4,976.80	5,000.00
Payments to school districts		8,592.41	9,916.90
Total expenditures		$28,197.28	$28,556.03

This town had a population of 797 in 1940. It has no precinct and has adopted the Municipal Budget Act.

APPENDIX 6

CLASSIFICATION OF PROPERTY SUBJECT TO LOCAL TAXATION, AND THE DETAIL OF PROPERTY TAX EXEMPTIONS

Property class	Kinds of property included in each class	Property tax exemptions
Lands and buildings	All improved and unimproved lands and improvements, exclusive of real estate listed below.	Ordinary exemptions allowed institutions devoted to educational, charitable, and religious purposes, but not to exceed $150,000, unless otherwise voted at town meeting.
		Ten years' exemption to owners of swamp or swale lands when such is improved for purposes of agriculture.
		Growing timber on woodlands, not exceeding 100 acres when value of growth does not exceed $25 per acre, and when potential yield is not less than 25,000 board feet of merchantable timber per acre.
Mills, factories, and machinery	Mills	None.
	Factories	None.
	Factory machinery	None.
Electric utilities	Property of electric utilities: lands, dams, canals, water power, buildings, structures, machinery, dynamos, apparatus, poles, wires, and fixtures.	None.
Other real estate	Locks	None.
	Canals	None.
	Toll bridges	None.
	Wharves	None.
	Ferries	None.
	Aqueducts	None.
Stock in trade	Average inventory for a full year of merchants' raw materials, goods in process of manufacture, and finished products of manufacturers. Also fishing and other vessels used for transportation of passengers or freight.	Tobacco products carried by licensed dealers and distributors. (See Tobacco Tax Act, Chapter 167, Session Laws 1939.)

Property class	Kinds of property included in each class	Property tax exemptions
Livestock	Horses	Two years of age or less.
	Asses and mules	Two years of age or less.
	Oxen	Two years of age or less.
	Cows	Two years of age or less.
	Other neat stock	Two years of age or less.
		Registered bulls, if available for breeding purposes at a reasonable fee.
	Sheep	Twelve months of age or less.
	Hogs	Six months of age or less. Two or less hogs per family.
	Fowl	Two months of age or less. Aggregate value of $50 or less.
	Fur-bearing animals	None.
	Domestic rabbits	Two months of age or less. Aggregate value of $50 or less.
Gas pumps and tanks	All gas pumps and tanks employed in the distribution and sale of gasoline and other motor vehicle fuels	None.
Portable property	Vehicles exclusive of motor	Aggregate valuation of $100 or less.
	Boats and launches not included in stock in trade.	Aggregate valuation of $100 or less.
	Portable mills.	None.
	Road construction and repairing machinery.	None.
	Well-drilling machinery.	None.
Wood and lumber	All wood, timber logs and lumber manufactured or unmanufactured.	Aggregate value of $50 or less.

In addition to the above exemptions, all soldiers who served for 30 days or more in the United States army in time of war, and their wives or widows, are granted exemption from taxation on all taxable property to the value of $1,000, provided they own property having a total value of less than $5,000. The exemption applies to taxable property, but all real and personal property is included in the $5,000 of valuation. A similar exemption is allowed the blind, but applies only to the individual and not to wives or widows.

APPENDIX 7

TAX DELINQUENCY

It is the collector (not the town meeting) who usually determines the date of the tax sale. Some collectors hold their tax sale during January in order to "clean up their books" and show no uncollected taxes at the end of the town fiscal year, January 31. This group believes there is no gain to either the town or the taxpayer from a delayed sale. On the other hand, many collectors feel that the sale should be held as late as the law permits in order to make it easier for the taxpayer.

Based on the date of the tax sale, there are three groups of towns:

1. Those in which the sale is held not later than the end of the fiscal year, usually during the latter part of January.
2. Those in which the sale is held after January 31 but not later than July 1, the permanent lien date (until 1939), usually during the latter part of June.
3. Those in which the sale is held after July 1 but not later than October 1, the new lien date, usually during the latter part of September.

Of 89 rural towns, 20 fall in the first group, 12 in the second group, and 57, or nearly two-thirds, fall in Group 3 (Table 1). Tax collectors in the Group 1 towns collected all except 5.0 percent of the amounts stated in their warrants by the end of the fiscal year, compared with 12.4 and 21.2 percent, respectively, for groups 2 and 3 which had not yet held their sales. At this time, January 31, the collectors of the first group had already held their tax sale which amounted to 4.5 percent of the amount of the levies. The difference between 5.0 percent and 4.5 percent is partly due to uncollected poll taxes of nonowners of real estate. For groups 2 and 3, only 3.3 percent of the levies was represented in the tax sales. But there is a lapse of eight months between the tax sales of Group 1 towns and those of Group 3, during which time some of the property sold in January was undoubtedly redeemed. Apparently the tax sale is effective as a weapon to eliminate chronic delinquency. Undoubtedly there are lo-

TABLE 1. EFFECT OF TIME OF TAX SALE ON AMOUNT OF TAX DELINQUENCY, 89 RURAL TOWNS, NEW HAMPSHIRE, 1938*

Time of tax sale during 1938 for the 1937 levy	Number of towns	Average tax rate	Amount of levy per town	Percent of levy uncollected January 31	Percent of levy in tax sale
Before February 1	20	$3.49	$23,593	5.0	4.5
February 1 to July 1	12	3.19	29,390	12.4	3.3
After July 1	57	3.29	24,038	21.2	3.3
All towns	89	$3.32	$24,659	16.3	3.6

* Data obtained from the books at the offices of the registers of deeds and from town reports.

cal circumstances in individual towns which justify an extension of the lien, but it appears in general that the earlier the tax sale, the more prompt are collections.

Variations among towns in the percent of taxes uncollected on January 31 apparently cannot be generally attributed to differences in tax rates or relative tax burdens. Those towns which held the tax sale before February 1 had an average tax rate of $3.49 per $100 of assessed valuation, compared with $3.19 and $3.29, respectively, for those groups of towns which held their tax sale during the later periods. The three groups of towns were subsorted according to their respective tax rates to determine whether or not differences in relative tax burdens are important as a factor affecting tax collections within the individual groups of towns (Table 2). In 25 towns which had a tax rate of less than $3.00 only 11.8 percent of the taxes was uncollected on January 31, compared with 17.0 percent for 34 towns which had a tax rate of more than $3.50. In 30 towns which had a tax rate of from $3.00 to $3.50, 18.4 percent of the taxes was uncollected on January 31. This group, however, is heavily weighted by three towns in which the tax sale was held between February 1 and July 1 and in which nearly one-third of the taxes were uncollected on January 31. Within each of the other two groups of towns, namely those in which the tax sale was held before February 1 and those in which the sale was held after July 1, there is a direct relation between tax rates and the percent of taxes collected by January 31, but the effect in general is of less significance than the time of sale as shown in Table 1 for all groups.

TABLE 2. EFFECT OF TIME OF TAX SALE AND TAX RATES ON THE PERCENT OF TAXES UNCOLLECTED AT THE END OF THE FISCAL YEAR JANUARY 31, 1938, EIGHTY-NINE RURAL TOWNS

Time of tax sale	Tax rates		Number of towns	Uncollected taxes on January 31	
	Range	Average		Amount per town	Percent of levy
Before February 1	Less than $3.00	$2.76	5	$ 385	2.9
	$3.00 to $3.50	3.22	6	1,236	4.0
	More than $3.50	4.07	9	1,606	6.6
	All towns	$3.49	20	$1,190	5.0
February 1 to July 1	Less than $3.00	$2.76	5	$3,705	11.3
	$3.00 to $3.50	3.37	3	4,959	31.7
	More than $3.50	3.61	4	2,563	7.2
	All towns	$3.19	12	$3,638	12.4
After July 1	Less than $3.00	$2.46	15	$2,522	14.2
	$3.00 to $3.50	3.26	21	6,038	22.0
	More than $3.50	3.91	21	6,024	24.0
	All towns	$3.29	57	$5,107	21.2
All towns	Less than $3.00	$2.46	15	$2,522	14.2
	$3.00 to $3.50	3.26	30	4,969	18.4
	More than $3.50	3.92	34	4,447	17.0
	All towns	$3.32	89	$4,029	16.3

A record of tax collections for all towns and cities by year of levy from 1928 to 1939 appears in Table 3. Not since the levy of 1929 have towns and cities collected as much as 90 percent of the current levy before the end of the fiscal year, January 31, and before sale in those towns where the collector prefers to hold a tax sale before January 31. Only 81 percent of the 1933 levy was collected currently. From 1932 to 1939 current collections have varied between the narrow limits of 81 and 84 percent. Back taxes collected during any one year represent amounts collected from the levies of all previous years, plus redemptions of sales, which include costs and interest to date of sale. The total collections have actually exceeded the amount of the levy during each year since 1932, when total collections were only 95.6 percent of the current levy. The fact that total collections have exceeded the current levy is partly because of the heavy delinquency during previous years, most of which was later redeemed, and partly because the amount redeemed is always larger than the original tax by the amount of the interest charged as a penalty, plus costs of advertising and selling. For the 12-year period the total collections were 100.3 percent of the amount levied, or in other words, the total tax collections tend to equal the amount levied considering the state as a whole. Towns also obtain some revenue from the penalty of 10 percent interest charged on property taxes paid between December 1 of the year of levy and the date of sale. If this item were added to tax collections, the average total of collections for the 12-year period would exceed the average levy by $149,781 or by 0.8 percent. This is not evidence that there are no serious delinquency problems in individual towns and cities, but merely shows that for the state as a whole current revenues from taxes tend to equal the current levy over a period of years.

Table 3. Record of Tax Collections Including Taxes Levied Against Property, Polls, and National Bank Stock, All Towns and Cities, by Year of Levy, 1928 to 1939, New Hampshire

Year of Levy	Current taxes collected			Back taxes collected†	Total collections	
	Amount of tax levy*	Amount*	Percent of levy		Amount	Percent of levy
1928	$17,919,716	$16,308,248	91.0	$1,472,385	$17,780,633	99.2
1929	17,953,613	16,448,407	91.6	1,424,653	17,873,060	99.6
1930	18,301,895	16,386,227	89.5	1,595,280	17,981,507	98.2
1931	18,618,873	16,330,394	87.7	1,990,411	18,320,805	98.4
1932	16,892,668	13,905,623	82.3	2,249,118	16,154,741	95.6
1933	15,894,369	12,894,877	81.0	3,124,371	16,019,248	100.8
1934	16,634,897	13,777,685	82.8	3,176,585	16,954,270	101.9
1935	18,268,521	15,037,462	82.3	3,236,492	18,273,954	100.0
1936	19,375,279	16,143,868	83.3	3,579,893	19,723,761	101.8
1937	19,328,929	15,989,434	82.7	3,565,134	19,554,568	101.2
1938	19,811,571	16,639,743	84.0	3,718,754	20,358,497	102.8
1939	19,507,340	16,271,044	83.4	3,569,407	20,237,307	103.7
Average, 12 years	$18,208,973	$15,511,084	85.2	$2,725,207	$18,269,363	100.3

* From annual reports of the state tax commission.

† Also from annual reports of the state tax commission. Includes tax sales redeemed but excludes interest collected on late taxes and income from sale of property acquired by tax deed.

APPENDIX 8

THE STATE DIRECT TAX COMPARED WITH TAXES RECEIVED BY TOWNS AND CITIES FROM STATE COLLECTED REVENUE, 1900 to 1941*

Tax year	Total state revenue	Taxes levied locally†	State direct tax			Taxes received from State	
			Amount	Percent of total state revenue	Percent of taxes levied locally	Amount in thousands	Percent of state direct tax
	Amount in thousands						
1900	$ 689	$ 3,979	$ 425	61.7	10.7	$ 562	132.2
1901	698	4,035	425	60.9	10.5	580	136.5
1902	791	4,220	425	53.7	10.1	597	140.5
1903	876	4,295	425	48.5	9.9	627	147.5
1904	705	4,263	425	60.3	10.0	908	213.6
1905	582	4,549	300	51.6	6.6	1,031	343.7
1906	728	4,587	425	58.4	9.3	1,087	255.8
1907	900	4,726	500	55.6	10.6	1,138	227.6
1908	906	4,823	500	55.2	10.4	1,069	213.8
1909	978	5,342	500	51.1	9.4	1,105	220.1
1910	1,695	5,250	800	47.2	15.2	1,077	134.6
1911	1,436	5,530	600	41.8	10.8	1,071	178.5
1912	1,707	6,043	700	41.0	11.6	1,170	167.1
1913	1,995	6,377	800	40.1	12.5	1,193	149.1
1914	2,214	6,701	800	36.1	11.9	1,190	148.8
1915	2,093	6,976	800	38.2	11.5	1,175	146.9
1916	2,200	7,076	750	34.1	10.6	1,214	161.9
1917	2,190	7,860	750	34.2	9.5	1,289	171.9
1918	2,525	8,675	850	33.7	9.8	989	116.4
1919	2,587	11,099	800	30.9	7.2	1,015	126.9
1920	4,344	12,737	2,200	50.6	17.3	1,041	47.3
1921	4,116	14,384	1,700	41.3	11.8	1,033	60.8
1922	5,521	15,060	1,700	30.8	11.3	1,073	63.1
1923	5,171	15,271	1,500	29.0	9.8	1,080	72.0
1924	5,177	15,810	1,150	22.2	7.3	1,256	109.2
1925	5,706	16,781	1,150	20.2	6.9	1,475	128.3
1926	6,605	17,064	1,500	22.7	8.8	1,533	102.2
1927	6,450	17,646	1,500	23.3	8.5	1,570	104.7
1928	7,085	17,944	1,585	22.4	8.8	1,595	100.6
1929	7,266	17,977	1,560	21.5	8.7	1,635	104.8
1930	5,365	18,324	1,560	29.1	8.5	1,647	105.6
1931	7,211	18,640	1,400	19.4	7.5	1,614	115.3
1932	10,607	16,915	1,400	13.2	8.3	1,501	107.2
1933	10,420	15,905	1,300	12.5	8.2	1,240	95.4
1934	14,030	16,646	1,300	9.3	7.8	1,133	87.2
1935	18,062	18,285	1,500	8.3	8.2	1,146	76.4
1936	16,385	19,391	1,600	9.8	8.3	1,197	74.8
1937	18,750	19,349	1,600	8.5	8.3	1,382	86.4
1938	19,250	19,833	1,200	6.2	6.1	1,373	114.4
1939	19,284	19,534	none	.....	.....	1,104	.....
1940	20,362	19,441	none	.....	.....	1,153	.....
1941	21,698	19,333	none	.....	.....	1,114	.....

* Annual reports of the state tax commission.

† Includes property, poll, and national bank stock taxes.

Before 1910, except in 1903, money received by the state from a direct tax on local property exceeded all other sources of state revenue, but since 1909 the total of other sources of revenue has been of greater importance. The direct tax declined in relative prominence through 1938 when it was only 6.2 percent of the total state revenue, and then in 1939 it was replaced by the tobacco tax. Furthermore, this property tax collected locally and paid to the state has tended to constitute a smaller proportion of the total property tax, particularly since the early twenties. From 1924 to 1938 the direct tax was less than nine percent of the local property taxes, whereas in previous years it was usually more than 10 percent.

On the other hand, the amount of revenue received by towns and cities from the state has exceeded the state direct tax except for two brief periods, from 1920 to 1923 and from 1933 to 1937. This fact is not mentioned here because either amount is contingent upon the other; on the contrary, the amounts of these revenues have passed between the state and the towns entirely independent of each other. However, there has existed some public interest in the balance of these payments, and for this reason the relationship is mentioned here.

APPENDIX 9

THE RELATION OF SELECTED FACTORS TO VARIATIONS IN PROPERTY TAXES AND EXPENDITURES OF RURAL TOWNS

Were it not for the fact that the state's subdivisions vary so extensively in area, population, taxable wealth, miles of road, family incomes, etc., these local units of government would assume a definite pattern and cease to be an object of concern and investigation. The existent departures from a normal situation are the major excuse for state aid and supposedly are the foundation upon which state aid is apportioned. The attendant analysis attempts to depict some of the relationships existing between selected factors, particularly population and taxable wealth, and local finance. Inasmuch as this study is concerned with rural situations, the sample represents only those towns having a population of less than 2,500. With the exception of a very few rural towns of peculiar status with which the writer is familiar, the sample represents a normal variance. However, it must be recognized that the present averages are not applicable to all towns and cities.

This study is concerned with the tax year 1938 (town fiscal year ending January 31, 1939) and is therefore somewhat out of date, particularly for two reasons: first, the 1940 census of population has since become available, and, second, the tax data are based on the last year when the state received revenue from a direct tax on property. Some of the material is therefore omitted but is incorporated in part because the general relationships have not changed appreciably, and because

the method of approach and the results may serve (and errors avoided) as a reference for subsequent research.

Procedure

After the town reports of the 116 towns visited during the survey were carefully reviewed and 27 were discarded because of errors, omissions, or because of unusual local situations, 89 reports remained for a more detailed analysis of town expenditures. This sample, however, includes at least one-third of all the incorporated rural towns in each of the ten counties.

In order to construct comparable statements and to obtain the local current outlays, it was necessary to compute net receipts and net expenditures. In addition to adjusting individual items, the long list of receipt and expenditure items as prescribed for the uniform classification were reclassified in order to reduce the number of classes and thereby make the analysis less cumbersome, but none the less accurate. Taxes collected by the town and paid over to other units of government are included here as a part of town expenditures or payments. State aid money is omitted because we are particularly concerned here with only those items which enter into the local tax rate. State and local officials quite generally follow this procedure. Although the school district is a minor civil division separate from the town, its area is generally coterminous with that of the rural town. The distinction between the town and the school district is largely one of function and of fiscal administration. In any event, one of the functions of local government is public education regardless of who administers it. The county tax is largely for welfare expenditures, a large part of which was at one time a town responsibility.

The populous sections in ten of the 89 towns are organized into precincts or village districts each having a tax rate higher than the town tax rate in the remainder of the town. The precinct tax rate is essentially the town rate plus a rate sufficient to meet the net costs of the services for which the district was organized. For example, omitting the precinct tax from town expenditures of these ten towns would show a relatively small outlay for fire protection compared to the rest of the towns studied. As a matter of fact, the ten towns with precincts average much larger in population and taxable wealth. The net costs of the services provided by precincts were computed and charged to similar services of the towns in order to make the costs of these functions comparable to those of towns which have no precincts. For this reason, precinct taxes do not appear as such in the subsequent analysis.

The final grouping of expenditure items, as adjusted, is shown in Table 1 with the total amount of each item, the average amount per town, and the percentage that each item is of the total. The 89 towns had net expenditures of approximately 2.5 million dollars, or $27,925 per town. Slightly less than one-seventh of the revenue for meeting these expenditures was obtained from sources other than the property tax. The remainder of the expenditures represents the amount neces-

sary to be raised from the property tax. The taxable wealth of these 89 towns was $64,833,273. Thus, the computed property tax rate for meeting these expenditures was $3.29 per $100 of assessed valuation.

TABLE 1. NET EXPENDITURES AND THE RESULTING PROPERTY TAX, 89 RURAL TOWNS, YEAR ENDED JANUARY 31, 1939

Purpose	Total amount	Amount per town	Percent of total
Expenditures			
Education	$822,312	$9,239	33.1
Highways	553,684	6,221	22.2
Welfare	155,583	1,748	6.3
Debt service	125,377	1,409	5.0
Protection	54,374	611	2.2
General administration	126,917	1,426	5.2
Other public services	91,248	1,025	3.7
Capital expenditures*	35,897	403	1.4
County tax	332,473	3,736	13.4
State tax	186,208	2,092	7.4
All other	1,293	15	0.1
Total expenditures	$2,485,366	$27,925	100.0
Receipts other than property taxes	350,088	3,933	14.1
Remainder of expenditures to be raised from property taxes	$2,135,278	$23,992	85.9

* Other than highways.

Relation of Selected Factors to Variations in Town Expenditures, Property Taxes, and Other Factors

The purpose of the following analysis is to show the general relation of certain factors to variations in property taxes and town expenditures, and to show the interrelations between these factors. The term "expenditures" refers to the net expenditures as computed in accordance with the preceding treatment of payments and receipts, and does not refer to the total gross payments of the town. "Property taxes" are the adjusted property tax levy, or the amount necessary to equal the expenditures after deducting revenues from sources other than property. "Valuation inventory," "assessed valuation," and "taxable wealth" are synonymous terms and each refers to the total assessed value of all real and personal property subject to the local property tax.

Area

The amount of area in a town is not an important factor in determining the amount of expenditures, except as it is interrelated to population and taxable wealth, both of which are important in determining the amount of expenditures and the amount of property taxes. Towns are not sparsely populated, nor are they low in taxable wealth, just because they cover a large area. However, there is some tendency for large towns to have a greater than average population and val-

uation, but there is an inverse relation between area and population per square mile, and between area and valuation per square mile.

Population per Town

According to the 1930 census, population in the 89 towns ranged from 82 to 2,183 and averaged 673. Total population is closely associated with density of population. In the 25 towns with populations of less than 400 there are only 8.3 people per square mile compared with 33.5 for towns having a population of 1,000 and over (Table 2). There was less variation in the population per town in 1880 than in 1930. Those with less than 400 people in 1930, and these are, on the average, more sparsely populated, had more than double that number in 1880. This trend in loss of population for this group of towns continued at about the same rate from 1920 to 1930, a fact not generally true of towns with a population of 400 or more in 1930. In general, the smaller the population in 1930, the greater was the loss of population during the 50-year period. Towns having a population of 1,000 and over in 1930 had slightly more than maintained their population of 1920. There is a direct relation between total taxable wealth per town and population per town, but assessed valuation per capita is only $967 for towns with a population of 1,000 and over, compared with $1,381 for towns with a population of less than 400.

TABLE 2. RELATION OF POPULATION PER TOWN TO EXPENDITURES, TAXES, AND OTHER FACTORS

1930 population per town		Number of towns	Population in 1930			Assessed valuation		
Range	Average		Per square mile	Percent of 1880	Percent of 1920	Per town	Per capita	Per square mile
Less than 400	258	25	8.3	46.4	89.6	$356,333	$1,381	$11,532
400 to 700	545	27	15.4	60.1	96.3	605,736	1,111	17,111
700 to 1,000	809	19	18.4	71.5	98.8	896,681	1,108	20,379
1,000 and over	1,295	18	33.5	92.9	101.6	1,251,842	967	32,347
All towns	673	89	18.4	70.5	98.2	$728,464	$1,082	$19,903

1930 population per town	Net expenditures		Property taxes		
	Per town	Per capita	Per town	Per capita	Percent of valuation
Less than 400	$12,626	$48.94	$11,024	$42.73	3.09
400 to 700	22,725	41.70	19,554	35.88	3.23
700 to 1,000	34,680	42.87	29,683	36.69	3.31
1,000 and over	49,846	38.49	42,653	32.94	3.41
All towns	$27,925	$41.49	$23,992	$35.65	3.29

It is normal that total expenditures per town should be greater for the larger and more densely populated towns inasmuch as it is these towns which have had an expansion in the number and amounts of public services. However, net expenditures of these groups of towns do not increase as rapidly as their populations. In towns hav-

ing a population of less than 400, expenditures per capita are $48.94 compared with $38.49 for towns with a population of 1,000 and over. For the two groups of towns between these extremes, expenditures average about $42 per capita. Property taxes are similarly associated with population, but show a slight tendency to be relatively higher in relation to population than does assessed valuation. Thus, population is somewhat directly related to tax rates.

Trend in Population

Only 10 of the 89 towns maintained or increased in population during the 50-year period from 1880 to 1930 (Table 3). There are 26 towns in which the 1930 population was less than one-half that of 1880. This latter group of towns is particularly characterized by a relatively sparse population of only 8.5 persons per square mile, a valuation of $427,145 per town, small expenditures of only $13,862 per town, and a correspondingly small amount of property taxes. However, the more rapid the decline in population since 1880, the greater are present expenditures per capita and property taxes per capita. Expenditures and property taxes per capita are $36.44 and $31.91, respectively, for towns in which population was maintained or increased as compared with $47.04 and $40.41 for the 26 towns in which the population had dwindled to less than one-half from 1880 to 1930.

Table 3. Relation of Trend in Population to Expenditures, Taxes, and Other Factors

Population in 1930 as percent of 1880		Number of towns	Population in 1930			Assessed valuation		
Range	Actual		Per town	Per square mile	Percent of 1920	Per town	Per capita	Per square mile
Less than 50	42.2	26	343	8.5	84.7	$ 427,145	$1,245	$10,625
50 to 75	65.4	31	644	18.3	99.4	686,755	1,066	19,566
75 to 100	84.5	22	889	23.4	98.7	967,340	1,088	25,456
100 and over	112.5	10	1,142	38.8	108.1	1,115,663	977	37,948
All towns	70.5	89	673	18.4	98.2	$ 728,464	$1,082	$19,903

Population in 1930 as percent of 1880	Net expenditures		Property taxes		
	Per town	Per capita	Per town	Per capita	Percent of valuation
Less than 50	$16,135	$47.04	$13,862	$40.41	3.25
50 to 75	26,964	41.87	23,305	36.19	3.39
75 to 100	36,994	41.61	31,273	35.18	3.23
100 and over	41,612	36.44	36,438	31.91	3.27
All towns	$27,925	$41.49	$23,992	$35.65	3.29

Thus, as population declines, the costs of public services become more burdensome on those who remain. There is no evidence that the downward trend in population has been a factor affecting current tax rates. It is possible that decreases in population and assessed valuation have been accompanied by a reduction in the relative num-

ber, amount, and quality of the public services provided. For this reason, tax rates have not increased rapidly in those towns with declining population.

Changes in population from 1920 to 1930 have been similarly examined but are omitted here since they add little, if any significance, to the analysis.

Density of Population

Density of population is measured by the number of people per square mile. Table 4 shows the relation of this factor to the other factors under consideration and to expenditures and property taxes. The direct relation between density of population and total population has been shown in Table 2 and is further emphasized here. From this association of factors it is only natural to find similar direct relations between density of population and other factors, particularly assessed valuation, expenditures, and property taxes. On a per capita basis the inverse relations are more marked when towns are sorted by density of population than by total population. For 23 towns which have 30 or more persons per square mile the taxable wealth per capita is $962 compared with $1,516 for 17 towns with a population of less than 10 persons per square mile. Similarly, in towns with 30 or more persons per square mile the net expenditures per capita and property taxes per capita amount to $36.61 and $31.36, respectively, compared with $54.73 and $46.75 for towns with less than 10 persons per square mile. Thus, a normal situation is for the more densely populated towns to be associated with greater taxable wealth and higher expenditures, but such wealth per person and expenditures per person are less for towns with the greater density of population.

Table 4. Relation of Density of Population per Town to Expenditures, Taxes, and Other Factors

1930 population per square mile		Number of towns	Population in 1930		Assessed valuation		
Range	Average		Per town	Percent of 1880	Per town	Per capita	Per square mile
Less than 10	6.1	17	288	45.1	$436,544	$1,516	$ 9,308
10 to 20	14.0	32	570	58.7	649,102	1,139	15,948
20 to 30	23.6	17	840	77.8	885,169	1,054	24,864
30 and over	40.5	23	976	91.0	938,821	962	38,955
All towns	18.4	89	673	70.5	$728,464	$1,082	$19,903

1930 population per square mile	Net expenditures		Property taxes		
	Per town	Per capita	Per town	Per capita	Percent of valuation
Less than 10	$15,761	$54.73	$13,463	$46.75	3.08
10 to 20	25,040	43.93	21,561	37.83	3.32
20 to 30	34,964	41.62	30,140	35.88	3.40
30 and over	35,729	36.61	30,611	31.36	3.26
All towns	$27,925	$41.49	$23,992	$35.65	3.29

Towns were further sorted on the basis of "percent of population rural farm." This is not as significant a factor as density of population and adds nothing of value to the present analysis.

Assessed Valuation per Town

The assessed valuation of all taxable property per town ranges from $134,620 to $2,011,925 and averages $728,464 for the 89 towns. A total of 18 towns have a total taxable wealth of less than $400,000, and 21 towns have a valuation of $1,000,000 or more (Table 5). In general, taxable wealth is closely associated with population per town and density of population, as shown previously.

Table 5. Relation of Assessed Valuation per Town to Expenditures, Taxes, and Other Factors

Assessed valuation per town		Number of towns	Assessed valuation		Population in 1930		
Range	Average		Per capita	Per square mile	Per town	Per square mile	Percent of 1880
Less than $400,000	$283,360	18	$ 954	$10,456	297	11.0	50.5
$400,000 to $700,000	519,799	32	1,085	13,679	479	12.6	57.3
$700,000 to $1,000,000	841,714	18	1,015	24,977	829	24.6	77.6
$1,000,000 and over	1,330,874	21	1,152	29,379	1,155	25.5	85.4
All towns	$ 728,464	89	$1,082	$19,903	673	18.4	70.5

Assessed valuation per town	Net expenditures		Property taxes		
	Per town	Per capita	Per town	Per capita	Percent of valuation
Less than $400,000	$11,212	$37.75	$ 9,655	$32.51	3.41
$400,000 to $700,000	19,609	40.94	17,257	36.03	3.32
$700,000 to $1,000,000	33,300	40.17	28,008	33.79	3.33
$1,000,000 and over	50,317	43.56	43,101	37.32	3.24
All towns	$27,925	$41.49	$23,992	$35.65	3.29

The loss in population since 1880 is inversely associated with valuation. Towns with a valuation of less than $400,000 in 1938 lost approximately one-half of their population during the 50-year period subsequent to 1880, whereas in towns with a valuation of $1,000,000 and over the 1930 population was 85.4 per cent of that in 1880. In towns with $1,000,000 or more of taxable wealth the net expenditures per town and the adjusted property tax levy per town amounted to $50,317 and $43,101, respectively. These are more than four times the amounts for towns with less than $400,000 of taxable wealth. How-

ever, on a per capita basis there is only a slight tendency for expenditures or property taxes to be higher for towns with greater taxable wealth. The property tax levy is 3.41 percent of the town valuation for towns having a valuation of less than $400,000 compared with 3.24 for towns with a valuation of $1,000,000 and over, a difference in percentage of only 0.17. The tax rates for the two groups of towns between these two extremes in valuation are approximately equal. In general, the amount of taxable wealth per town is not an important factor affecting tax rates, or, in other words, expenditures for these groups of towns tend to increase in about the same proportion as the taxable wealth.

There are a few towns in the state in which assessed valuation is extremely high in relation to population and to town expenditures. In most instances this relation is due to the fact that there is a large amount of utility property in the town. These towns were intentionally omitted from the sample of 89 towns, but such a situation is presented here to show the effect of a relatively large amount of taxable wealth on a town economy. The town with the lowest tax rate in the state offers an illustration of an extreme case. In 1929 this town had a total assessed valuation of only $610,945, an amount below the average of rural towns. In 1930 and 1931 an electric utility corporation constructed a power dam within the town borders. The valuation of this dam was added to the town inventory of taxable property in accordance with the law which provides that all real estate shall be assessed where it is located. Thus in two years' time this comparatively poor town increased its valuation to 15 times its former amount, and had no appreciable change in population. Its tax rate declined from $2.31 in 1929 (nearly equal to the state average rate) to $1.07 in 1939, which is less than one-third the state average rate of $3.45 for the 1939 levy. Yet with this low tax rate, the property taxes per capita are now nearly double that of any other town or city in the state. In other words, the resident voters determine the local appropriations and the utility corporation pays the bill. Public services are obtained at little expense to the residents.

Assessed Valuation per Capita

When the total taxable wealth of these rural towns is reduced to a per capita basis, a factor is devised which varies much less among towns than either total population or valuation per town. Thirty-one, or one-third of the 89 towns, fall within the narrow limits of $1,000 and $1,200 assessed valuation per capita. Nevertheless, Table 6 is presented to show the relation of this factor to other factors in the scheme of analysis. Among the three groups of towns there is a limited but consistent inverse relation between assessed valuation per capita and population per town. Towns with less than $1,000 of assessed valuation per capita have a population per town of 835, whereas towns with $1,200 or more of assessed valuation have a population per town of only 531. There is no significant relation between valuation per capita and total valuation per town, or between valuation per capita and total expenditures per town, or between valuation per

capita and total property taxes per town. But when expenditures and property taxes are also reduced to a per capita basis, the relation becomes apparent and in a manner similar to previous relations for the same items when none were reduced by the common factor, population.

Table 6. Relation of Assessed Valuation per Capita to Expenditures, Taxes, and Other Factors

Assessed valuation per capita		Number of towns	Assessed valuation		Population in 1930		
Range	Average		Per town	Per square mile	Per town	Per square mile	Percent of 1880
Less than $1,000	$ 822	31	$686,260	$19,777	835	24.1	76.5
$1,000 to $1,200	1,075	31	680,690	18,103	633	16.8	67.3
$1,200 and over	1,566	27	831,772	22,005	531	14.0	65.3
All towns	$1,082	89	$728,464	$19,903	673	18.4	70.5

Assessed valuation per capita	Net expenditures		Property taxes		
	Per town	Per capita	Per town	Per capita	Percent of valuation
Less than $1,000	$29,073	$34.82	$24,972	$29.91	3.64
$1,000 to $1,200	26,358	41.64	22,638	35.76	3.33
$1,200 and over	28,408	53.50	24,421	45.99	2.94
All towns	$27,925	$41.49	$23,992	$35.65	3.29

In towns with less than $1,000 of assessed valuation per capita the net expenditures per capita and property taxes per capita average $34.82 and $29.91, respectively, compared with $53.50 and $45.99, respectively, for towns with an assessed valuation of $1,200 or more. However, property taxes as a percent of assessed valuation become less for each group of towns as the assessed valuation per capita increases. Thus, towns with a high taxable wealth per capita have, on the average, lower tax rates.

The financial records for the 89 towns were sorted by other factors, namely, assessed valuation per square mile, percent of revenue from the property tax, and percent of property classed as utilities, and tables were similarly prepared to show the relation of these factors to expenditures and taxes. This material appears to add little of significance to the present inquiry and is therefore omitted here.

RELATION OF SELECTED FACTORS TO THE AMOUNT AND DISTRIBUTION OF EXPENDITURES

The relationship between total expenditures and the amounts and percentage distribution of the individual expenditure items is equally as significant as the relationship between total expenditures and population and taxable wealth. It is possible, and probable, that for any given town the amount of expenditure for individual purposes may be relatively large or small even though the total expenditures

of that town are in line with those for towns of similar characteristics. It is not enough that the total expenditures of a town are average or below average. Town officials might well examine the individual items which make up the total expenditures of the town. Furthermore, there is no evidence here that the average total expenditures of the 89 rural towns represent efficiency, or that the expenditures are too high or too low. More economical local government does not come from being as efficient as the average, but rather from doing better than the average. However, this is not to say that the total amount of any particular item of expenditure should, or can be, reduced just because of its comparative magnitude. The following analysis shows the distribution of individual expenditure items existing in towns when sorted according to selected factors which have been shown previously to be important in determining total expenditures.

Population per Town

The close relation between population and total town expenditures is equally true of every expenditure item which forms a part of the total (Table 7). Net expenditures for education increase from $3,494 per town for towns with a population of less than 400 to $17,964 per town for towns with a population of 1,000 or more. Similarly,

TABLE 7. RELATION OF POPULATION PER TOWN TO THE AMOUNT AND DISTRIBUTION OF EXPENDITURES

Expenditures	Population per town in 1930				All towns
	Less than 400	400 to 700	700 to 1,000	1,000 and over	
Number of towns	25	27	19	18	89
	Expenditures per town				
Education	$ 3,494	$ 7,350	$11,220	$17,964	$ 9,239
Highways	3,359	5,276	7,796	9,951	6,221
Welfare	832	1,294	2,247	3,174	1,748
Debt service	653	1,201	1,857	2,296	1,409
Protection	188	345	681	1,523	611
General administration	845	1,234	1,690	2,241	1,426
Other public services	376	636	1,458	2,054	1,025
State and county taxes	2,670	5,004	7,169	10,035	5,828
All other	209	385	562	608	418
Totals	$12,626	$22,725	$34,680	$49,846	$27,925
	Per cent of total expenditures				
Education	27.7	32.3	32.3	36.0	33.1
Highways	26.6	23.2	22.5	20.0	22.3
Welfare	6.6	5.7	6.5	6.4	6.2
Debt service	5.2	5.3	5.4	4.6	5.0
Protection	1.5	1.5	1.9	3.1	2.2
General administration	6.6	5.5	4.9	4.5	5.1
Other public services	3.0	2.8	4.2	4.1	3.7
State and county taxes	21.1	22.0	20.7	20.1	20.9
All other	1.7	1.7	1.6	1.2	1.5
Totals	100.0	100.0	100.0	100.0	100.0

each other expenditure item increases in amount with groups of towns of greater population. Yet the effect of population is not equal on each kind of expenditure to the extent that such items retain their relative proportion of the whole. For towns with a population of less than 400, expenditures for school purposes are 27.7 percent of the total expenditures, whereas for towns with a population of 1,000 and over such expenditures comprise 36.0 percent of the total. Likewise, expenditures for protection are proportionately greater for towns of larger than average population. On the contrary, expenditures for highways and for general administration comprise a smaller percentage of total expenditures in towns of greater population. "All other" expenditures are affected by variation in population in approximately the same manner.

Density of Population

The relation of density of population to the amounts and percentage distribution of expenditures is similar to the relation of population per town, except that the changes are somewhat less pronounced (Table 8). Net expenditures for education are 26.3 percent of total expenditures in towns with less than 10 persons per square mile, but constitute 37.6 percent of the total expenditures for towns

Table 8. Relation of Density of Population per Town to the Amount and Distribution of Expenditures

Expenditures	Population per square mile: Less than 10	10 to 20	20 to 30	30 and over	All towns
Number of towns	17	32	17	23	89
	Expenditures per town				
Education	$ 4,141	$ 7,525	$11,894	$13,430	$ 9,239
Highways	4,759	5,590	8,285	6,656	6,221
Welfare	860	1,608	2,172	2,287	1,748
Debt service	735	1,461	1,487	1,776	1,409
Protection	168	489	803	966	611
General administration	974	1,326	1,665	1,723	1,426
Other public services	465	901	1,340	1,380	1,025
State and county taxes	3,464	5,627	6,852	7,097	5,828
All other	195	513	466	414	418
Totals	$15,761	$25,040	$34,964	$35,729	$27,925
	Percent of total expenditures				
Education	26.3	30.1	34.0	37.6	33.1
Highways	30.2	22.3	23.7	18.6	22.3
Welfare	5.5	6.4	6.2	6.4	6.2
Debt service	4.7	5.8	4.3	5.0	5.0
Protection	1.1	2.0	2.3	2.7	2.2
General administration	6.1	5.3	4.8	4.8	5.1
Other public services	2.9	3.6	3.8	3.9	3.7
State and county taxes	22.0	22.5	19.6	19.9	20.9
All other	1.2	2.0	1.3	1.1	1.5
Totals	100.0	100.0	100.0	100.0	100.0

with 30 or more persons per square mile. Protection and "other public services" also constitute a larger proportion of total expenditures for towns more densely populated than for towns with a sparse population. Highways and general administration expenses tend to decrease in relative importance in towns with greater density of population. Other factors vary within limits but show no consistent relationship. Changes in population and density of population are directly related to variations in welfare expenditures and expenditures for debt service but do not tend to rise out of proportion to total expenditures in these groups of rural towns.

Assessed Valuation per Town

In as much as changes in assessed valuation per town are closely associated with changes in population per town, it follows that the effect of these factors on the distribution of expenditures will be similar. Table 9 illustrates this, but, as is the case with density of population, the changes are less consistent and somewhat less pronounced. However, expenditures for education and for protection increase as a percent of total expenditures with an increase in assessed valuation per town. The proportion of expenditures for highways and general administration responds inversely to an increase in taxable wealth. In towns with greater than average taxable wealth debt service

TABLE 9. RELATION OF ASSESSED VALUATION PER TOWN TO THE AMOUNT AND DISTRIBUTION OF EXPENDITURES

Expenditures	Assessed valuation per town				
	Less than $400,000	$400,000 to $700,000	$700,000 to $1,000,000	$1,000,000 and over	All towns
Number of towns	18	32	18	21	89
	Expenditures per town				
Education	$ 3,387	$ 6,040	$11,069	$17,563	$ 9,239
Highways	2,730	4,920	7,081	10,459	6,221
Welfare	1,002	1,183	2,028	3,009	1,748
Debt service	658	1,144	1,521	2,359	1,409
Protection	136	265	748	1,428	611
General administration	853	1,097	1,692	2,189	1,426
Other public services	322	519	1,439	2,046	1,025
State and county taxes	2,053	4,130	7,026	10,624	5,828
All other	71	311	696	640	418
Totals	$11,212	$19,609	$33,300	$50,317	$27,925
	Percent of total expenditures				
Education	30.2	30.8	33.2	34.9	33.1
Highways	24.4	25.1	21.3	20.8	22.3
Welfare	8.9	6.0	6.1	6.0	6.2
Debt service	5.9	5.8	4.6	4.7	5.0
Protection	1.2	1.4	2.2	2.8	2.2
General administration	7.6	5.6	5.1	4.3	5.1
Other public services	2.9	2.6	4.3	4.1	3.7
State and county taxes	18.3	21.1	21.1	21.1	20.9
All other	0.6	1.6	2.1	1.3	1.5
Totals	100.0	100.0	100.0	100.0	100.0

amounts to less than five percent of the total net expenditures, compared with nearly six percent for towns with less than average taxable wealth. "Other public services" amount to more than four percent for towns with high taxable wealth, compared with less than three percent for towns with low taxable wealth.

Assessed Valuation per Capita

The relation of assessed valuation per capita to the amount and distribution of expenditures is shown in Table 10. In those towns in which the assessed valuation of taxable property is low relative to the population, expenditures for education, welfare, and "other public services" constitute a larger proportion of the total expenditures than in the case of towns in which the assessed valuation is high relative to population. The relationship is more pronounced in expenditures for education and for welfare. For the 31 towns with less than $1,000 of taxable wealth per capita the expenditures for education amount to 35.0 percent of the total expenditures compared with 33.1 per cent for 31 towns with taxable wealth per capita of $1,000 to $1,200, and 30.9 percent for 27 towns with $1,200 or more of taxable wealth per capita. The percentages for welfare expenditures are 7.3, 6.5, and 4.8, respectively. On the other hand, the state and county taxes, and expenditures for highways, and "all other" expenditures

Table 10. Relation of Assessed Valuation per Capita to the Amount and Distribution of Expenditures

Expenditures	Assessed valuation per capita			
	Less than $1,000	$1,000 to $1,200	$1,200 and over	All towns
Number of towns	31	31	27	89
	Expenditures per town			
Education	$10,160	$ 8,716	$ 8,784	$ 9,239
Highways	6,188	5,611	6,960	6,221
Welfare	2,111	1,721	1,362	1,748
Debt service	1,494	1,450	1,263	1,409
Protection	644	591	597	611
General administration	1,525	1,354	1,395	1,421
Other public services	1,211	981	862	1,025
State and county taxes	5,413	5,571	6,600	5,828
All other	327	363	585	418
Totals	$29,073	$26,358	$28,408	$27,925
	Percent of total net expenditures			
Education	35.0	33.1	30.9	33.1
Highways	21.3	21.3	24.5	22.3
Welfare	7.3	6.5	4.8	6.2
Debt service	5.1	5.5	4.4	5.0
Protection	2.2	2.2	2.1	2.2
General administration	5.2	5.2	5.0	5.1
Other public services	4.2	3.7	3.0	3.7
State and county taxes	18.6	21.1	23.2	20.9
All other	1.1	1.4	2.1	1.5
Totals	100.0	100.0	100.0	100.0

constitute a larger percentage of the total in the case of towns having assessed valuation per capita of $1,200 and over than is the case of towns having an assessed valuation per capita of less than $1,000. Variations in assessed valuation per capita have little or no effect on the percentage distribution of the other expenditure items.

Population per Town and Density of Population

In the sample of 89 rural towns, no town with a population of 1,000 or over in 1930 had a density of less than 20 people per square mile (Table 11). Only four towns with a total population of less than 400 had as many as 20 people per square mile. In other words, as a general rule, a small total population suggests sparse population, and a large total population suggests dense population.

TABLE 11. RELATION OF POPULATION PER TOWN AND DENSITY OF POPULATION TO THE PERCENTAGE DISTRIBUTION OF EXPENDITURES

Population per square mile, and expenditures	Population per town in 1930			
	Less than 400	400 to 700	700 to 1,000	1,000 and over
	Percent of total expenditures			
Less than 10				
Number of towns	13	3	1	
Education	24.2	31.8	26.5	
Highways	28.5	29.4	37.3	
All other town charges	24.6	20.7	11.8	
State and county taxes	22.7	18.1	24.4	
10 to 20				
Number of towns	8	15	9	
Education	28.4	31.2	29.2	
Highways	26.1	22.9	20.4	
All other town charges	26.3	22.6	27.7	
State and county taxes	19.2	23.3	22.7	
20 to 30				
Number of towns	1	5	5	6
Education	36.1	28.2	37.0	34.3
Highways	24.9	25.3	25.4	22.0
All other town charges	19.9	25.5	19.7	23.6
State and county taxes	19.1	21.0	17.9	20.1
30 and over				
Number of towns	3	4	4	12
Education	38.9	44.8	36.3	36.9
Highways	19.5	16.7	17.8	19.0
All other town charges	20.9	18.3	28.0	24.0
State and county taxes	20.7	20.2	17.9	20.1

Holding population constant and increasing the density of population is essentially a matter of reducing the area of the town. Holding the density of population constant and increasing total population per town is essentially a matter of increasing the area. Thus the rela-

tionships presented here are concerned with the area of the town as it is related to variations in total population. The small number of towns in some groups limits the value of the analysis.

When population per town is held constant at less than 400, school expenditures, as a percentage of total expenditures, increase from 24.2 percent for towns with less than 10 persons per square mile to 38.9 percent for towns with 30 or more persons per square mile. On the same basis, highway expenditures and state and county taxes tend to decline in relative importance for towns with dense population. For towns with a larger population, the effect of an increase in density of population is less consistent, but it can be said in general that in rural towns with larger than average population school expenditures consume a larger percentage of the total expenditures and highway expenditures consume a smaller percentage of total expenditures.

When the density of population is held constant and total population per town is increased (or, when the area is increased), there is no consistent relation to the percentage distribution of expenditure items. In other words, the area of a town has little relation to the relative costs of roads and schools when the population per square mile is held constant. Furthermore, school expenditures are relatively less and highway expenditures are relatively more when a given population is spread over a large area than when it is condensed into a small area. These statements have no reference to differences in the quality of education or of highways. The quality of various governmental services was not considered in this study.

Population per Town and Assessed Valuation per Town

Sorting the 89 rural towns by population and subsorting by assessed valuation further emphasizes the direct relation between these two factors. Twenty-five towns had a population of less than 400 in 1930, and in each instance the assessed valuation is less than $700,000. Likewise, 18 towns had a population of 1,000 or more, and in each instance the assessed valuation is $700,000 or more (Table 12).

Inasmuch as the state and county taxes are apportioned among towns and cities on the basis of "equalized valuation" (see page 55 for explanation of equalized valuation), the actual amount of such taxes varies with valuations regardless of population. As a percentage of the total, however, the state and county taxes are generally of less significance in towns with a population of 700 or more than in towns with a population of less than 700. This is largely because expenditures for highways and schools are relatively more important. In 15 towns with a population of less than 400 and taxable wealth of less than $400,000, expenditures for education amount to 28.9 percent of total expenditures, compared with 36.2 percent for 15 towns with a population of 1,000 or more and taxable wealth of $1,000,000 and over. A similar comparison shows that highway expenditures decline from 25.8 percent to 20.3 percent, respectively, of the total expenditures. Thus, expenditures for education are particularly high in relation to total expenditures in towns which have both a large popu-

TABLE 12. RELATION OF POPULATION PER TOWN AND ASSESSED VALUATION PER TOWN TO THE PERCENTAGE DISTRIBUTION OF EXPENDITURES

Assessed valuation per town, and expenditures	Population per town in 1930			
	Less than 400	400 to 700	700 to 1,000	1,000 and over
	Percent of total expenditures			
Less than $400,000				
Number of towns	15	3	1	
Education	28.9	36.0	29.2	
Highways	25.8	17.8	29.5	
All other town charges	27.0	27.7	27.8	
State and county taxes	18.3	18.5	13.5	
$400,000 to $700,000				
Number of towns	10	17	4	
Education	26.3	33.4	28.9	
Highways	21.9	23.1	23.5	
All other town charges	27.5	24.1	24.1	
State and county taxes	24.3	19.4	23.5	
$700,000 to $1,000,000				
Number of towns		6	9	3
Education		30.5	34.0	35.3
Highways		23.2	21.7	17.5
All other town charges		22.1	25.5	24.8
State and county taxes		24.2	18.8	22.4
$1,000,000 and over				
Number of towns		1	5	15
Education		29.0	32.0	36.2
Highways		21.4	22.1	20.3
All other town charges		15.8	23.2	23.7
State and county taxes		33.8	22.7	19.8

lation and a large amount of taxable wealth, but highway expenditures are relatively of less importance.

Density of Population and Assessed Valuation per Capita

For 12 towns which have 30 or more persons per square mile and have less than $1,000 of taxable wealth per capita, net expenditures for education amount to 38.0 percent of the total expenditures compared with 25.1 per cent for 10 towns with a population of less than 10 persons per square mile and with $1,200 or more of taxable wealth per capita (Table 13). On the same basis, the percentages for highways are 18.0 and 31.4, respectively. In other words, school expenditures are relatively much greater than highway expenditures in rural towns with dense population and low taxable wealth per capita, whereas in towns with a sparse population and high taxable wealth per capita highways consume a somewhat larger proportion of the total expenditures. Regardless of taxable wealth per capita, net school expenditures consume a larger percentage of total expenditures in towns of dense population. On the other hand, for any given

TABLE 13. RELATION OF DENSITY OF POPULATION AND ASSESSED VALUATION PER CAPITA TO THE PERCENTAGE DISTRIBUTION OF EXPENDITURES

Assessed valuation per capita and expenditures	Population per square mile			
	Less than 10	10 to 20	20 to 30	30 and over
	Percent of total expenditures			
Less than $1,000				
Number of towns	2	11	6	12
Education	31.4	30.0	35.2	38.0
Highways	30.6	23.1	24.4	18.0
Other town charges	23.7	26.6	21.6	26.1
State and county taxes	14.3	20.3	18.8	17.9
$1,000 to $1,200				
Number of towns	5	12	8	6
Education	26.2	31.3	32.8	37.5
Highways	26.2	20.6	23.0	18.6
Other town charges	24.9	26.3	24.6	22.0
State and county taxes	22.7	21.8	19.6	21.9
$1,200 and over				
Number of towns	10	9	3	5
Education	25.1	28.9	34.8	36.7
Highways	31.4	23.3	24.1	20.2
Other town charges	20.0	22.8	20.3	21.2
State and county taxes	23.5	25.0	20.8	21.9

density of population, a difference in the amount of taxable wealth per capita has only a slight effect on the relative importance of the major expenditure items. In general, state and county taxes are relatively more important in towns with larger than average assessed valuation per capita, especially in those towns which are below average in density of population.

Population and the amount of taxable wealth are important elements in shaping the economy of local finance. But the variance in tax rates and in tax burdens is neither wholly attributable to either of these factors, nor to both of them collectively, nor to the ratio between them. Moreover, tax rates in themselves do not necessarily indicate discrepancy in tax burdens. Tax rates are an expression of appropriations and taxable wealth, and the amount of appropriations is the result of many details, some of which are difficult to measure, particularly the psychology of the voters. It is true that small towns spend less but spend more per capita than larger towns. But it is also true that the public services available to residents of small towns are not equal in quality, kind, and amount to those available to residents of larger towns. The costs per capita of any particular service

vary inversely with the total population, density of population, and amount of taxable wealth. Schools, roads, and other public services of a quality, kind, and amount available to residents of larger towns cannot possibly be bought by the residents of small towns except at an exorbitant price. It is the purpose of state aid to correct this situation by aiding the poorer towns—a matter of equalization—but it is a well-known fact that state aid is not available in amounts that will accomplish this purpose completely. There is some question, however, as to whether or not it should.

APPENDIX 10

A STUDY OF THE RELATION OF SELECTED FACTORS TO VARIATIONS IN THE EXPENSES AND PROPERTY TAXES OF 100 RURAL NEW HAMPSHIRE TOWNS

The objective of this study is to examine the relation of selected factors, particularly population and taxable wealth, to the variations in the amounts and distribution of expenses and to the variations in property taxes of rural New Hampshire towns. Attention is also devoted to the interrelation of these factors. Whereas the previous study (Appendix 9) involves all town payments, including those to other governmental units, the present inquiry includes only those expenditures which are made to meet the expenses of the town as a unit of government. Similarly, property taxes involve only the necessary levy to meet town expenses and exclude that portion of the levy collected by the town and paid to other units of government.

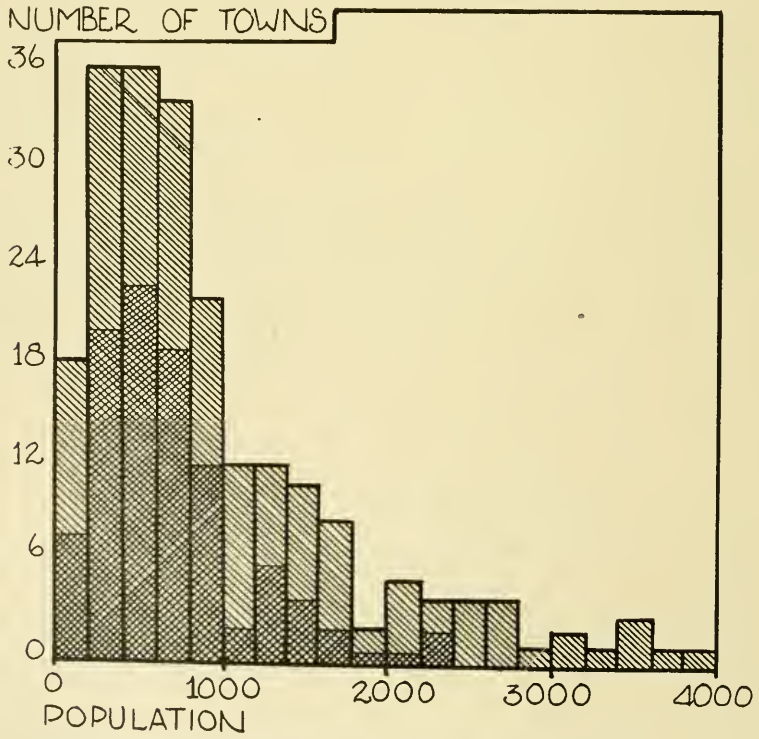

Chart I. The frequency distribution of New Hampshire towns that have fewer than 4,000 persons according to the 1940 census of population, and of the 100 rural towns selected for this study. (Class interval=200.) Only 18 towns (including 11 cities) have a population of 4,000 or more. The largest is Manchester, 77,685.

Procedure

A sample of 100 rural towns was so selected as to include at least one-third of the rural towns of each county, exclusive of those which had a population of 2,500 or more according to the 1940 census of population, and exclusive of towns which had an organized precinct (village district). Chart I displays the frequency distribution of all New Hampshire towns, and of those selected for this study, according to population. Eighty-two percent of all towns and cities have fewer than 2,500 persons. The sample, therefore, although rural, is representative of a large portion of the state. There are only 15 towns with a population between 2,500 and 4,000, and only 18 with 4,000 or more.

The expenses of each town were taken from the thirtieth annual report of the state tax commission, tax year 1940, the only report to be published in such detail as to include the complete uniform classification of receipts and expenditures by towns. From the 54 payment items of the uniform classification, town expense items were deducted and grouped into ten classes and then adjusted to lend comparability to the results. These classes of expense items as adjusted, the amount of each, the average amount per town, and the percentage that each item constitutes of the total are shown in Table 1. A more detailed account of the treatment of the uniform classification follows.

Table 1. The Expense Items with Averages and Percentages, 100 Rural New Hampshire Towns, Tax Year 1940

Expense item	Total amount	Amount per town	Percent of total
Highways	$ 6,800	$ 680	46.0
General government	1,883	189	12.7
Welfare	1,662	166	11.2
Debt service	1,582	158	10.7
Protection	963	96	6.5
Librarian	247	25	1.7
Health	215	22	1.5
Other public services	539	54	3.6
Capital outlays	513	51	3.5
All other	383	38	2.6
Totals	$14,787	$1,479	100.0

The expenditures for "general government," "libraries," and "health" as used in this study are identical with the grouping of payments in the uniform classification.

"Highways" expense involves both maintenance and construction, and includes money received from the state as state aid for maintenance, and money paid to the state as the town's share of joint funds which are expended under Town Road Aid and State Aid Construction.

"Welfare" includes expenditures for direct relief of the town poor, for old-age assistance, and for aid to soldiers. Expenditures for county poor were omitted inasmuch as this is a county charge, although the town pays it in the first instance.

"Debt service" expense includes all interest payments on both short-term and long-term obligations and includes all principal payments on long-term notes and on bonded indebtedness. Receipts from temporary loans in anticipation of taxes and the repayments of these loans were entirely ignored.

"Protection" is as shown in the commissioners' report except that the "bounties" item (towns are reimbursed by the state for bounty payments) is omitted, and money received from outside sources for services of the fire department is deducted.

"Other public services" embraces all those listed in the uniform classification under "patriotic purposes," "recreation," and "public service enterprises," with the exception of "aid to soldiers."

"Capital outlays" represents current expenses for permanent improvements other than for highways. Any amount financed by long-term loans is deducted from the total expenditure for the improvement in order that the expense will involve only the current outlay.

"All other" expenses include miscellaneous items, projects, and damages and legal expenses.

It is important to distinguish between "town property taxes" and "total property taxes." The latter refers to all property taxes levied and collected by towns for all units of government that receive revenue from the local property tax. "Town property taxes" include only that portion of the levy which is necessary to meet town expenses; in other words, it is the total levy minus the amounts levied for the county, school district, and precinct.

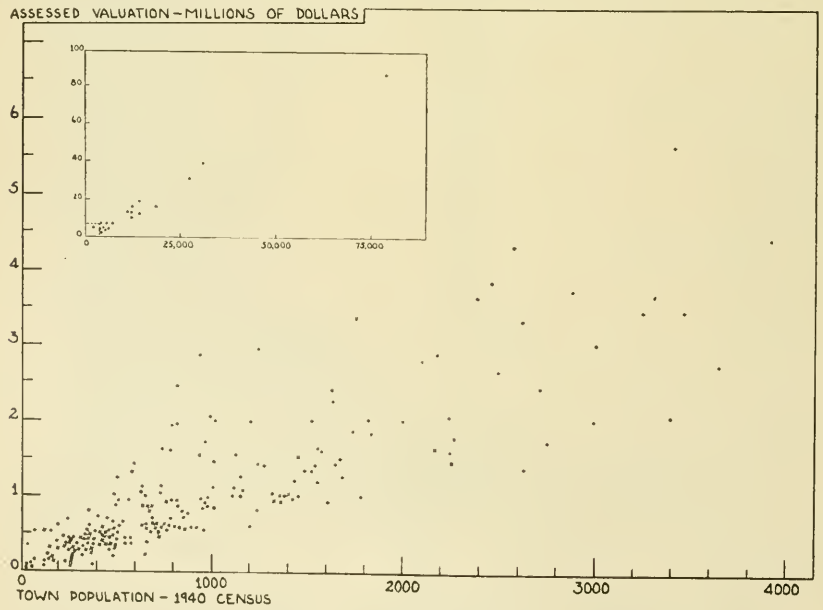

Chart II. The relation of population to assessed valuation. The insert extends the relation to include towns and cities having a population of more than 4,000.

"Assessed valuation," "town valuation," "town inventory," and "taxable wealth" are synonymous terms and refer to the total assessed value of all real and personal property subject to the local property tax and as tabulated in the annual reports of the state tax commission.

The Relation of Population to Town Expenses, Town Property Taxes, and Other Factors

Population per Town

Twenty-eight of the 100 rural towns have a population of less than 400, and 18 have a population of 1,000 or more (Table 2). There is no evidence that towns having a larger than average population also cover a larger than average area. Therefore, more population usually indicates a denser population. Towns having a population of less than 400 have only 7.7 persons per square mile, compared with 47.2 for towns having a population of 1,000 or more. Towns of small population, that is, the sparsely populated towns, had only about half as many people in 1940 as they had in 1880, whereas those towns which had a population of 1,000 and over in 1940 had 10.8 percent more people than in 1880. However, each group of towns, collectively, gained in population during the decade from 1930 to 1940. It was immediately after the 1930 census and during the depression of the early thirties that the city-to-farm migration exceeded the farm-to-city movement. The significance of this excess movement to farms was relatively greater in rural towns which, through their abandoned homes and farms, offered a haven to the jobless from industrial centers. By way of contrast, note the population changes from 1920 to 1930 as indicated in Table 2, Appendix 9.

TABLE 2. THE RELATION OF POPULATION PER TOWN TO TOWN EXPENSES, TOWN PROPERTY TAXES, AND OTHER FACTORS

1940 population per town		Number of towns	Square miles per town	Population in 1940			Assessed valuation	
Range	Average			Per square mile	Percent of 1880	Percent of 1930	Per town	Per capita
Less than 400	268	28	34.6	7.7	51.6	106.1	$ 360,647	$1,343
400 to 699	534	31	31.4	17.0	69.2	106.5	570,059	1,068
700 to 999	836	23	42.7	19.6	67.3	110.2	815,738	976
1,000 and over	1,566	18	33.2	47.2	110.8	107.2	1,483,713	948
All towns	715	100	35.2	20.3	77.3	107.7	$ 732,388	$1,025

1940 population per town	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than 400	$ 7,392	$27.53	$ 5,370	$20.00	1.49	47.7
400 to 699	10,585	19.84	6,804	12.75	1.19	38.2
700 to 999	17,034	20.38	10,843	12.97	1.33	39.6
1,000 and over	30,656	19.58	18,870	12.05	1.27	37.8
All towns	$14,787	$20.69	$ 9,503	$13.30	1.30	39.7

There is a significant correlation between population per town and assessed valuation per town (also see Chart II). The assessed valuation averaged $360,647 and $1,483,713, respectively, for towns of less than 400 persons and of 1,000 or more persons. However, the amount of taxable wealth does not tend to increase in the same proportion as population; in other words, towns of low population have on the average a relatively large taxable wealth per capita.

The expenses of towns with 1,000 or more persons average more than four times as much as the expenses of towns with a population of less than 400, but the expenses per capita are nearly 50 percent less. Although the amount of assessed valuation per capita is relatively high among the towns of lowest population, it is not of sufficient magnitude to lighten the tax burden, inasmuch as the town property tax is high relative to both population and valuation. Furthermore, concerning the 28 towns lowest in population, it is noteworthy that the property tax necessary to meet town expenses is a relatively large percent of the total property tax, the percentage being 47.7, compared with less than 40 for the other three groups. In other words, towns having a population of less than 400 pay a smaller proportion of the local property tax to other local units of government and retain a larger proportion for town purposes.

Density of Population

Because there is a rather close correlation between population per town and density of population, as shown in Table 2, it is obvious that sorting the 100 rural towns by population per square mile would give results similar to those when sorting by population per town.

TABLE 3. THE RELATION OF DENSITY OF POPULATION TO TOWN EXPENSES, TOWN PROPERTY TAX, AND OTHER FACTORS

1940 Population per square mile		Number of towns	Square miles per town	Population in 1940			Assessed valuation	
Range	Average			Per town	Percent of 1880	Percent of 1930	Per town	Per capita
Less than 10	6.5	22	47.0	305	52.0	105.0	$444,867	$1,458
10 to 19.9	14.2	33	39.5	561	62.0	107.0	578,550	1,031
20 to 29.9	23.0	15	32.7	755	69.7	109.4	721,571	956
30 and over	50.4	30	23.1	1,164	104.4	108.0	1,117,866	960
All towns	20.3	100	35.2	715	77.3	107.7	$732,388	$1,025

1940 population per square mile	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than 10	$ 9,031	$29.60	$ 6,413	$21.02	1.44	46.7
10 to 19.9	12,697	22.62	7,541	13.43	1.30	38.3
20 to 29.9	15,457	20.48	10,206	13.52	1.41	41.4
30 and over	20,971	18.02	13,577	11.67	1.21	37.9
All towns	$14,787	$20.69	$ 9,503	$13.30	1.30	39.7

However, the relation of density of population to town economy is shown in Table 3. On the average, the more sparsely populated towns are those of larger than average area, but this is a mere fact and of no great consequence in itself and lacks relevancy to cause and effect. The relation between density of population and trend in population is almost identical with the relation between population per town and population trend as shown in Table 2.

As the populations of towns grow and become more dense, it becomes necessary to provide a greater amount of public services than for sparsely populated areas; for instance, densely populated areas require garbage collection, fire departments, police departments, sewer service, and the like. Thus, total expenses mount, but, in general, not in proportion to the number of people served, so that the total costs per person are actually less. Likewise, town inventories and property taxes rise along with population and expenditures, but are actually less on a per capita basis for the more densely populated towns. In other words, a normal situation is for a town of sparse population, and this usually means a small population, to spend little in total amount, but to spend more per capita.

Trend in Population

Only 20 of these 100 rural towns had a larger population in 1940 than they did in 1880, and 18 had lost more than one-half of their population (Table 4). The latter group of towns are particularly characterized by a small and sparse population, a small amount of taxable wealth per town, but a relatively large valuation per capita. Although these towns spend somewhat less in total, the expenses per

TABLE 4. THE RELATION OF POPULATION IN 1940 AS PERCENT OF 1880 TO TOWN EXPENSES, TOWN PROPERTY TAXES, AND OTHER FACTORS

Population in 1940 as percent of 1880		Number of towns	Population in 1940			Assessed valuation	
Range	Actual		Per town	Per square mile	Percent of 1930	Per town	Per capita
Less than 50	42.0	18	398	9.5	109.0	$ 501,677	$1,261
50 to 74.9	64.6	44	538	15.1	106.7	549,863	1,021
75 to 99.9	87.7	18	821	24.7	105.6	892,215	1,086
100 and over	118.2	20	1,292	43.0	109.4	1,197,738	927
All towns	77.3	100	715	20.3	107.7	$ 732,388	$1,025

Population in 1940 as percent of 1880	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than 50	$11,305	$28.42	$ 7,890	$19.83	1.57	49.2
50 to 74.9	11,502	21.36	7,592	14.10	1.38	41.4
75 to 99.9	16,139	19.65	9,504	11.57	1.07	35.2
100 and over	23,931	18.53	15,159	11.74	1.27	37.2
All towns	$14,787	$20.69	$ 9,503	$13.30	1.30	39.7

capita are considerably higher than for towns which have more nearly maintained their population. Furthermore, town expenses are high relative to the town inventory of taxable wealth, thus causing a higher average tax rate than prevailed in the other groups. Approximately one-half of the total property tax was levied to meet town expenses, whereas the other groups of towns consumed less than 42 percent of the total property tax.

None of the 100 rural towns have lost as much as one-half of their population since 1910. For the 18 towns which endured the greatest loss in population since 1880, the greater part of this decline occurred before 1900 (Chart III). From 1900 to 1930 the decline was continuous but moderate, and from 1930 to 1940 there was a slight rise in population per town. The trend of population in the 20 towns, which had more people in 1940 than in 1880, is a matter of maintaining their numbers rather than of extreme variation. The population per town for these two groups of towns in 1880 was 946 and 1,093, respectively, a small disparity. It would appear that the two trend lines shown in Chart III represent the results of natural and economic incidents, particularly location with respect to industrial centers, topography, and natural fertility, rather than of large differences in earlier decades. Thus it is not to be assumed that the towns which

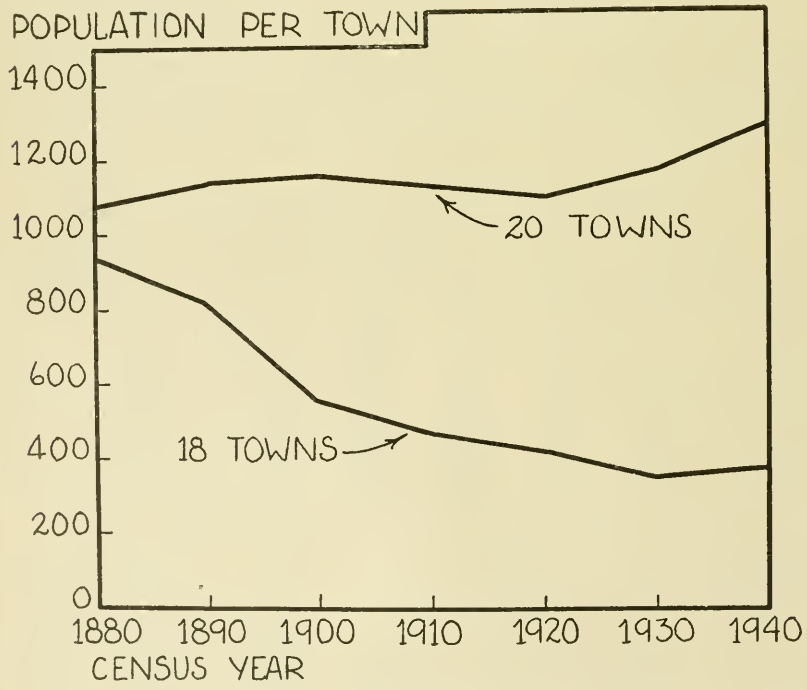

Chart III. Comparison of the trend in population per town of 18 towns which had fewer than 50 percent as many people in 1880 as in 1940 with that of 20 towns which gained in population during this period, by census years, 1880 to 1940.

have undergone the greatest loss in population are necessarily those which were scantily populated in earlier decades.

Chart IV compares the population trend of towns that had 1,000 or more persons in 1880 with that for towns which had less than 400 in 1880. Although the percentage decrease in population was greater for the smaller towns, the larger towns actually lost the greater numbers. The population of nine small towns declined until 1930 to 64 percent of the 1880 figures, and then increased until 1940 when it was 70 percent of those figures. In those towns which had 1,000 or more persons in 1880 the population declined until 1920, when it was 78 percent of 1880, and then increased to 85 percent in 1940.

Because of the long period from 1880 to 1940, and because much of the loss of population occurred in the earlier decades, the 100 rural towns were sorted according to their 1940 population as percent of the 1910 figures. This analysis is shown in Table 5. The resulting relationships are virtually identical with those drawn from Table 4 and indicate that the towns are similarly grouped in the respective classes and that what population changes occurred between 1880 and 1940 are as significant a factor in present town economy as what occurred in more recent decades.

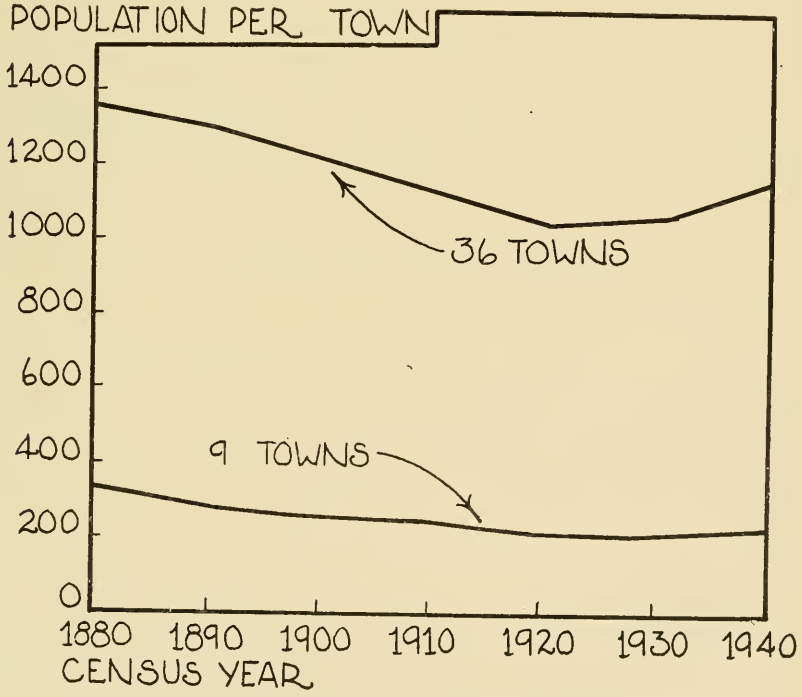

Chart IV. Comparison of the trend in population per town of nine towns which had fewer than 400 persons in 1880 with 36 towns which had a population of more than 1,000 in 1880.

Table 5. The Relation of Population in 1940 as Percent of 1910 to Town Expenses, Town Property Taxes, and Other Factors

Population in 1940 as percent of 1910		Number of towns	Population in 1940				Assessed valuation	
Range	Actual		Per town	Per square mile	Percent of 1880	Percent of 1930	Per town	Per capita
Less than 80	72.6	23	416	11.2	55.2	98.4	$481,148	$1,156
80 to 89.9	84.5	20	496	11.9	56.9	108.6	565,028	1,140
90 to 99.9	96.5	24	840	23.6	82.1	107.8	756,473	901
100 and over	116.8	33	964	32.6	96.1	110.5	991,409	1,028
All towns	97.8	100	715	20.3	77.3	107.7	$732,388	$1,025

Population in 1940 as percent of 1910	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than 80	$10,992	$26.41	$ 7,089	$17.03	1.47	43.3
80 to 89.9	11,258	22.71	7,128	14.38	1.26	40.8
90 to 99.9	16,400	19.52	10,369	12.34	1.37	41.4
100 and over	18,398	19.08	11,996	12.44	1.21	37.0
All towns	$14,787	$20.69	$ 9,503	$13.30	1.30	39.7

The 100 towns were sorted on the basis of trend in population from 1930 to 1940, but the results add little of importance to the present analysis except, of course, the fact that what actually happened to population during this decade appears unimportant to present town economy. All but 21 of 100 towns had more people in 1940 than in 1930.

The Relation of Assessed Valuation to Town Expenses, Property Taxes, and Other Factors

Assessed Valuation per Town

Because of the high correlation between population and taxable wealth, it is natural to assume that sorting towns by the two factors separately would give similar results. It is true that, in general, towns small in population also have a relatively small amount of taxable wealth, but there is sufficient variance in taxable wealth per capita among the towns to justify an examination of the relation between valuation and town finance. This relation is shown in Table 6, in which the 100 towns are grouped according to their respective valuations.

Towns with a taxable wealth of less than $400,000, like towns of fewer than 400 persons, have a sparse population and have endured a loss of nearly one-half of their population since 1880. They spend less and levy a much smaller property tax. Whereas assessed valuation per capita tends to be greater among towns of small population (see Table 2), it is somewhat less for towns having a relatively small valuation. Town expenses per capita and town property taxes per capita are about the same for all groups of towns when sorted ac-

TABLE 6. THE RELATION OF ASSESSED VALUATION PER TOWN TO TOWN EXPENSES, TOWN PROPERTY TAXES, AND OTHER FACTORS

Assessed valuation per town		Number of towns	Assessed valuation per capita	Population in 1940		
Range	Average			Per town	Per square mile	Percent of 1880
Less than $400,000	$ 279,892	24	$ 873	320	10.9	55.0
$400,000 to $700,000	534,049	36	1,012	528	14.0	65.0
$700,000 to $1,000,000	845,925	21	1,016	832	23.7	82.2
$1,000,000 and over	1,554,271	19	1,082	1,437	37.8	97.6
All towns	$ 732,388	100	$1,025	715	20.3	77.3

Assessed valuation per town	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than $400,000	$ 6,486	$20.24	$ 4,538	$14.16	1.62	47.0
$400,000 to $700,000	10,861	20.58	7,261	13.76	1.36	41.4
$700,000 to $1,000,000	17,018	20.45	10,660	12.81	1.26	37.9
$1,000,000 and over	30,246	21.05	18,746	13.04	1.21	37.8
All towns	$14,787	$20.69	$ 9,503	$13.30	1.30	39.7

cording to valuation. However, the amount of property taxes in relation to valuation is much higher for towns with less than $400,000 of taxable wealth than towns with $1,000,000 or more of valuation, as evidenced by the respective percentages, 1.62 and 1.21. Thus, a normal situation is for rural towns to spend about the same amount per capita regardless of taxable wealth, but, apparently, revenue from sources other than the property tax are of such small amounts as to cause a relatively greater burden on the property tax among towns low in taxable wealth.

Assessed Valuation per Capita

As previously stated, towns vary within relatively narrow limits with respect to assessed valuation per capita, owing to the fact that there is a high correlation between population and taxable wealth. The relationship between assessed valuation per capita and town economy is neither consistent nor marked (Table 7). However, towns below average in taxable wealth per capita generally have more than average population, a correspondingly denser population, and a somewhat smaller amount of taxable wealth than do towns of greater than average taxable wealth per capita. Furthermore, town expenses per capita and property taxes per capita are below average, but the resulting tax rate is considerably above average. Towns having an assessed valuation per capita of less than $800 had an average tax rate of $1.51 per $100 of assessed valuation compared with $1.11 for towns having $1,200 or more of assessed valuation per capita. The average amounts of expenses and of property taxes show virtually no relation to taxa-

ble wealth per capita. However, the lack of consistent and marked relationships as shown in Table 7 gives considerable significance to the present inquiry.

It is generally believed that as people abandon our rural towns the cost of public services becomes more burdensome for those who remain. Moreover, it is generally thought that a large amount of taxable wealth per capita is an advantageous element in town economy. The two assumptions appear consistent on first sight with the facts found in this brief study; for instance, it was shown in Table 4 that those which underwent the greatest loss in population had the largest expenses per capita, the largest property taxes per capita, and the highest average tax rate. In Table 7 it was shown that towns with larger than average valuation per capita spent more per capita, paid more property taxes per capita, but enjoyed a lower tax rate.

Assessed valuation per capita is merely a ratio between the aggregate value of taxable property located within the town and the resident population of that town. The ratio is altered by a variation in either of the constituents in relation to the other. If a town's population remains static, it is unlikely that the amount of taxable wealth will materially decline, but will either also remain static or increase. If the town inventory increases, while population remains the same, the property tax will become less burdensome and the people will tend to appropriate and spend more freely, unless the increase is the result of new building by nonresidents who demand public services (roads, garbage collection, etc.), the costs of which are out of proportion to the added valuation. On the other hand, assuming a rapidly declining population, it is unlikely that the town's inventory will in-

Table 7. The Relation of Assessed Valuation per Capita to Town Expenses, Town Property Taxes, and Other Factors

Assessed valuation per capita		Number of towns	Population in 1940				Assessed valuation per town
Range	Actual		Per town	Per square mile	Percent of 1880	Percent of 1930	
Less than $800	$ 732	29	854	28.2	85.5	108.2	$624,980
$800 to $999	910	25	737	19.8	73.0	108.4	671,040
$1,000 to $1,199	1,078	21	772	22.0	86.6	107.9	832,150
$1,200 and over	1,727	25	483	12.4	61.9	105.4	834,528
All towns	$1,025	100	715	20.3	77.3	107.7	$732,388

Assessed valuation per capita	Town expenses		Town property tax			
	Per town	Per capita	Per town	Per capita	Percent of valuation	Percent of total property tax
Less than $800	$14,462	$16.94	$9,419	$11.04	1.51	41.2
$800 to $999	15,122	20.51	9,579	12.99	1.43	41.4
$1,000 to $1,199	15,618	20.24	9,792	12.69	1.18	35.5
$1,200 and over	14,131	29.24	9,283	19.21	1.11	40.4
All towns	$14,787	$20.69	$9,503	$13.30	1.30	39.7

crease or even remain static, but will decline, at least in the long run. In the short run, however, it is conceivable that taxable wealth will remain relatively constant because the owners, now nonresidents, will retain title and pay taxes into the community for many years in hopes of a sale. A high assessed valuation per capita which results from a decline in population alone is of no economic gain to the remaining taxpayers. In other words, differences in tax burdens cannot be explained by generalities concerning the ratio of taxable wealth to population. The ratio is as frequently a result as it is a cause. There are as many situations as there are towns, and each requires individual investigation. This inquiry is one of comparative analysis, however, and therefore can only be general in application, but knowledge of its inferences should improve the deductions from case analyses.

Relation of Population and Assessed Valuation to the Distribution of Town Expenses

The relation of variations in population per town and in assessed valuation per town to the amounts and percentage distribution of individual expense items is shown in Tables 8 and 9, respectively. It is impractical to assume that the averages presented in these tables can

TABLE 8. THE RELATION OF POPULATION PER TOWN TO THE DISTRIBUTION OF TOWN EXPENSES

Expenditures	Population per town in 1940				All towns
	Less than 400	400 to 699	700 to 999	1,000 and over	
Number of towns	28	31	23	18	100
	Expenses per town				
Highways	$3,981	$ 5,764	$ 8,237	$11,130	$ 6,800
General government	1,107	1,439	1,964	3,750	1,883
Welfare	781	1,018	2,163	3,505	1,662
Debt service	706	669	1,774	4,267	1,582
Protection	292	497	1,001	2,760	963
Libraries	83	176	285	577	247
Health	92	55	124	799	215
Other public services	110	248	260	2,065	539
Capital outlays	173	409	783	880	513
All other	67	310	443	923	383
Totals	$7,392	$10,585	$17,034	$30,656	$14,787
	Percent of total expenses				
Highways	53.9	54.5	48.4	36.4	46.0
General government	15.0	13.6	11.5	12.2	12.7
Welfare	10.6	9.6	12.7	11.4	11.2
Debt service	9.5	6.3	10.4	13.9	10.7
Protection	4.0	4.7	5.9	9.0	6.5
Libraries	1.1	1.7	1.7	1.9	1.7
Health	1.2	0.5	0.7	2.6	1.5
Other public services	1.5	2.3	1.5	6.7	3.6
Capital outlays	2.3	3.9	4.6	2.9	3.5
All other	0.9	2.9	2.6	3.0	2.6
Totals	100.0	100.0	100.0	100.0	100.0

TABLE 9. THE RELATION OF ASSESSED VALUATION PER TOWN TO THE DISTRIBUTION OF TOWN EXPENSES

Expense items	Assessed valuation per town				All towns
	Less than $400,000	$400,000 to $700,000	$700,000 to $1,000,000	$1,000,000 and over	
Number of towns	24	36	21	19	100
	Expenses per town				
Highways	$3,479	$ 5,659	$ 7,818	$12,031	$ 6,800
General government	1,097	1,432	2,000	3,600	1,883
Welfare	714	1,283	1,761	3,470	1,662
Debt service	577	1,020	1,504	3,998	1,582
Protection	261	407	1,247	2,588	963
Libraries	78	147	315	577	247
Health	36	70	165	772	215
Other public services	104	146	616	1,749	539
Capital outlays	58	454	960	709	513
All other	82	243	632	752	383
Totals	$6,486	$10,861	$17,018	$30,246	$14,787
	Percent of total expenses				
Highways	53.7	52.1	46.0	39.8	46.0
General government	16.9	13.2	11.8	11.9	12.7
Welfare	11.0	11.8	10.3	11.5	11.2
Debt service	8.9	9.4	8.8	13.2	10.7
Protection	4.0	3.8	7.3	8.6	6.5
Libraries	1.2	1.4	1.9	1.9	1.7
Health	.6	.6	1.0	2.5	1.5
Other public services	1.6	1.3	3.6	5.8	3.6
Capital outlays	.9	4.2	5.6	2.3	3.5
All other	1.2	2.2	3.7	2.5	2.6
Totals	100.0	100.0	100.0	100.0	100.0

be adopted as standards of efficiency. In the first place, it is not likely that averages represent an economical use of funds, and, secondly, efficiency is not determined entirely on the basis of population or taxable wealth, or both. The determination of efficient local government involves numerous intricacies not applicable to general terms, and the problem requires individual analysis of each situation—an acquaintance with the environment, and an interview with local officials as well as an analysis of fiscal reports. However, some insight into the distribution of expenses according to population and taxable wealth is presented here in order to indicate normals and to show the relative importance of the various expense items for small and large towns. In general, the distribution of expenses is about the same when the towns are sorted by population as they are when sorted by taxable wealth.

The maintenance and construction of roads constitutes 46 percent of the total expenses of the 100 rural towns. The smallest towns, those of less than 400 population and of less than $400,000 of assessed valuation, use more than one-half of their money for roads while the group of largest towns spends less than two-fifths of its funds for this

TABLE 10. COMPARISON OF TOWNS WHICH WERE BELOW MEDIAN AVERAGE WITH RESPECT TO FIVE FACTORS* WITH TOWNS WHICH WERE ABOVE MEDIAN AVERAGE IN THE SAME FACTORS

Items	Group A: Towns having all factors below average	Group B: Towns having all factors above average
Number of towns	27	28
Area, square miles per town	39.3	30.7
Population in 1940		
Per town	317	1,284
Per square mile	8.1	41.8
As percent of population in 1880	49.5	102.9
As percent of population in 1910	78.0	109.7
Town Road Mileage		
Per town	33.2	49.6
Per square mile of area	.84	1.61
As percent of all highways	74.9	77.4
Assessed Valuation		
Per town	$389,448	$1,227,351
Per capita	1,229	956
Per square mile	9,901	39,960
Town Expenses		
Per town	$ 8,749	$ 24,466
Per capita	27.61	19.06
Town Property Taxes		
Per town	$ 6,187	$ 15,516
Per capita	19.52	12.09
As percent of town expenses	70.7	63.4
As percent of valuation	1.59	1.26
As percent of total for all units	48.2	38.4

* The five factors and their median averages are: (1) population in 1940, 586.5; (2) population per square mile, 17.45; (3) population in 1940 as percent of population in 1880, 69.35; (4) population in 1940 as percent of population in 1910, 94.35; (5) assessed valuation, $603,671.50.

purpose. Likewise, expenses for general government are also relatively larger for small towns than for large towns. On the contrary, welfare expenses constitute about the same proportion of the total, irrespective of the size of the towns. All other classes of town expenses tend to be relatively higher for large towns than for small towns.

The 100 towns were sorted by various other factors, including population trend, density of population and assessed valuation per capita, and tabulations made to show the distribution of expenses, but the results added little of significance to the present analysis, or to a similar presentation reviewed in Appendix 9.

Comparison of Towns Having Five Selected Factors below Average with Towns Having the Same Factors above Average

As a matter of interest and for comparative analysis, data were tabulated for two groups of towns according to whether the towns were below or above median average in five factors, namely:

1. Population in 1940.
2. Population per square mile.
3. Population in 1940 as percent of population in 1880.
4. Population in 1940 as percent of population in 1910.
5. Assessed valuation.

The comparison is shown in Table 10. For convenience, the two groups are referred to as Group A and Group B, respectively, according to whether they are below or above median average with respect to the five factors.

The Group A towns had an average population of only 317 and a density of only 8.1 persons per square mile compared with a population of 1,284 and 41.8 persons per square mile for Group B towns,

TABLE 11. COMPARISON OF THE DISTRIBUTION OF EXPENSES FOR TOWNS WHICH WERE BELOW MEDIAN AVERAGE IN FIVE FACTORS WITH TOWNS WHICH WERE ABOVE MEDIAN AVERAGE IN THE SAME FACTORS

Expense items	Group A: Towns having all factors below average	Group B: Towns having all factors above average
Number of towns	27	28
	Expenses per town	
Highways	$4,906	$ 9,718
General government	1,226	2,937
Welfare	861	2,784
Debt service	799	2,944
Protection	320	2,135
Libraries	122	436
Health	70	476
Other public services	132	1,443
Capital outlays	164	711
All other	149	882
Totals	$8,749	$24,466
	Percent of total expenses	
Highways	56.1	39.7
General government	14.0	12.0
Welfare	9.8	11.4
Debt service	9.2	12.0
Protection	3.6	8.7
Libraries	1.4	1.8
Health	0.8	2.0
Other public services	1.5	5.9
Capital outlays	1.9	2.9
All other	1.7	3.6
Totals	100.0	100.0

a difference of considerable magnitude for the sample of 100 rural towns. The difference in the average amount of assessed valuation was somewhat less relatively, and therefore the average taxable wealth per capita was somewhat higher for the group of 27 towns below median average in the five factors. The Group B towns had a greater population in 1940 than either in 1910 or in 1880, whereas the 1940 population in the Group A towns had consistently declined since 1880. Town expenses averaged only $8,749 for the Group A towns compared with $24,466 for Group B towns, a ratio of approximately one to three. The expenses per capita, in the case of the Group A towns, averaged nearly 50 percent more than for Group B. Differences in the amount of property taxes per town and per capita were less marked. Property taxes as percent of the assessed valuation—the town tax rate—amounted to 1.59 and 1.26, respectively, for the A and B groups of towns.

The distribution of expenses for the two groups of towns are compared in Table 11. Highway expenses averaged $4,906 for the 27 towns below average in the five factors compared with $9,718 for the 28 towns above average. This amounts to $148 and $196, respectively, per mile of town roads, but highway expenses constitute a much larger percent of total expenses than in the case of the Group B towns. With the exception of expenses for roads and general government, all other town expenses comprise a larger percent of total expenses among the Group B towns than for Group A.

Thus it is normal that towns with a small, sparse, and declining population, and with a small amount of taxable wealth, spend more per capita, levy more property taxes per capita, and experience a higher tax rate. Furthermore, the roads in these towns consume a much larger proportion of the tax money even though the expenditures per mile are relatively small.

APPENDIX 11

SUGGESTIONS FOR FURTHER STUDY

1. Although the state law requires that all taxable property shall be appraised at its full and true value, assessors generally fail to comply with these regulations. Errors in assessment are known to exist between properties of a single class as well as between properties of different classes. These errors are evidences of common tendencies among tax assessors. For instance, there is the tendency of assessing poor land for too much and good land for too little, and then there is a tendency toward fixed values, a tendency popularly referred to as "copying the assessment rolls." This whole problem of assessment and equalization merits investigation and subsequent publicity.

2. The largest single community expense is for public schools. The variations in expenditures of rural school districts, including state aid money, should be analyzed and related to the quality and effectiveness of the services rendered. Transportation costs need examining and standard formulas established for computing normal costs and for making fair contracts. An investigation of the fiscal problems of public schools surely should be supplemented by numerous case studies of the potential issues that would be involved as a result of combining schools and of organizing joint districts.

3. Highway maintenance is the largest single expense of the town and warrants the attention of the investigator of local government. Such an investigator must seek the cooperation of the state department and must assemble and summarize the existing data, including particularly land-use studies and the highway planning survey conducted by the State Highway Department in cooperation with the Public Roads Administration. The project should be sufficiently comprehensive to embody related long-time social and economic problems as well as those of a purely fiscal sort. It should examine the feasibility of organizing voluntary highway districts, involving several towns in some instances, whereby the wealthier towns might make more efficient use of their equipment and the poorer towns might enjoy better roads without excessive costs.

4. The administrative arrangements concerned with public welfare are of such a nature that, for a unit of study, research in this field might well embrace a single county and all the towns within its borders. A direct survey is essential in order that the investigator might contact numerous officials of the governmental units involved. Variance in the local practices and attitudes of officials is an important phase of the social and economic problems implicated. Case studies of selected towns should supplement the more general survey in order to augment the points in question.

5. It is a generally accepted theory that as population moves out of a rural area, the costs of public services become more burdensome on those who remain. Taxable wealth per capita is, commonly,

an important factor affecting the number, amount, and quality of public services. This ratio between population and taxable wealth may be modified in many ways. It is conceivable that as people abandon the area the taxable wealth remains the same, at least temporarily, inasmuch as the owners become nonresidents and retain title and pay taxes in hope of a satisfactory sale. Another situation arises wherein the community with a stable population gains in taxable wealth, thus, in a different manner, altering the ratio between population and taxable wealth. In other words, a change in the ratio between population and taxable wealth may arise from situations other than a declining population. Each situation has a bearing on the wisdom of local expenditures, particularly capital outlays. This whole problem merits investigation as a basis for intelligent planning and action. The problem is a dynamic one inasmuch as economic forces are constantly at work, in a state of nonequilibrium—forces that warp the economy of the "little republics" but may guide the behavior of the populace if and when the facts are properly presented.

6. Tax rates are now declining materially as a result of economic conditions incited by the present war. Surely, a decline in tax rates during a period of rising costs indicates a curtailment of public services. A timely study might well examine the nature of this curtailment and the subsequent results.